Random Thoughts

The New Amerimulch celebrated its 10-year anniversary on April 1. As I sit to write this article, my mind is bombarded with random thoughts. Instead of writing an article, I thought I would share some of these with you, our valued customers.

Random Thought # 1 - Wow What a Ride!

When we started out 10 years ago, Amerimulch had six employees and operated out of a 6,000 square foot building in Valley View, Ohio. Today, our company employs more than 100 people and has 195,000 square feet of manufacturing and warehouse space in five different states. Our pounds produced and shipped to the mulch industry have increased by more than 1,600% since we began in 1998.

We at Amerimulch believe that our success is due largely in part to the fact that we never take our customers for granted. We believe that we must earn your business every day of every year by providing outstanding quality...
Random Thoughts (continued)

products that exceed your expectations for performance; that are delivered when you want them; that are supported by the most knowledgeable technical and sales teams in the industry ... all at fair and competitive prices. Thank you for your trust and confidence in Amerimulch.

Random Thought # 2 - Challenging for Leadership

When we started out 10 years ago, the colored mulch industry was still in its infancy. Our largest competitor had a few years on us and had locked up the lion's share of this rapidly growing market. Back then, Amerimulch didn't amount to much more than a small pimple on a giant's butt. But the people of Amerimulch continued to work hard to grow our customer base and our business by giving customers more of what they want and by being fair.

Today, Amerimulch is challenging for leadership in the mulch colorant industry. Our focus on quality, service, innovation and our ability to deliver Real Tangible Value™ to our customers is unmatched by any other competitor.

Random Thought # 3 - Pricing Instability

Over the period from 1998 through 2006, the average selling price of mulch colorants fell more than 66%. At the same time, the quality, chemistry and technology improved dramatically. Volume, China and competition made it all happen. In 2007, we saw some upward pressure on pricing, but it was relatively small and manageable. In 2008, events happening within China, a growing U.S. trade deficit, the price of oil and a weak dollar are wreaking havoc on food and commodity prices. For the first time in 10 years, Amerimulch can only honor its price quotations on a quarterly basis because of the rapid changes in the cost and availability of our raw materials. Even though every other colorant supplier is facing these same issues, I worry about the faithful and trusting relationships we have built with our customers.

Random Thought # 4 - Keeping the MOJO Flowing

For the past 9 years and 11 months, I have served as Chairman, CEO, COO and President. I also loaded a few mixers, swept the floors, cleaned a few toilets, emptied the office trashcans and cleaned our office kitchen.

I can still clean a few toilets, empty the office trashcans and clean the office kitchen, but it was time to split up some of those top jobs.

On March 1, Joe Majewski was named President and Chief Operating Officer of ChromaScape / Amerimulch. I will continue to serve the Company as Chairman of the Board and Chief Executive Officer.

Our challenge is to not “get drunk on our own liquor.” We are successful ONLY because of YOU, our customer. We must not forget that we have to continue to earn your business every day.

Other Random Thoughts - People We Remember and Deeply Miss

I and the rest of us at Amerimulch both miss and remember my son Dave who was killed in an auto accident on December 15, 2005. Dave managed our Carson City, Nevada, distribution site. And my wife of 42 years, Carol, who died of pancreatic cancer on August 17, 2006. Carol served on our Board of Directors since the company’s inception. And finally, Harold Easton, who died of stomach and liver cancer on March 28, 2007. Harold had been our Production Manager since the company began in 1998.

We wish they were here with us to celebrate our 10th anniversary and our company’s success. We miss them dearly.
ChromaScape, Inc., the parent company of Amerimulch, celebrated its 10th anniversary in April with a party hosted at the main office in Twinsburg, Ohio, for its associates, shareholders and honored guests. Everyone enjoyed a luncheon catered by a favorite local hangout, The Rush Hour. After lunch, George Chase, Chief Executive Officer, made a brief speech thanking everyone for coming and all the hard work over the last ten years. He noted that even in these difficult economic times, Amerimulch is doing well and he, the management and the shareholders of the company are grateful.

Mr. Chase was part of a team that formed ChromaScape in 1998, purchasing the Amerimulch name and equipment offerings and beginning the process of becoming the world leader in the production of colorants for mulches and related landscape operations. A guest commented that everyone seemed very happy to be part of this company. Afterwards, a group photo was taken in the new, state-of-the-art laboratory.

The afternoon concluded with George Chase taking the initial swipe at the demolition of the old lab. Many looked on as he took the controls of the backhoe and tore the first wall down. Over the past ten years, Amerimulch has continued to build on its strengths – high quality products, great customer service and cost-effective solutions for producers of colored mulch. We look forward to many more years to come of serving our customers.
Amerimulch started on a quest to create a brand identity for our colorants over a year ago. I would hope most of you have seen our Heartland Enriched Colorants logo on more than one occasion. During Year Two of the roll-out, we look to bring the awareness of the Heartland brand to the garden center and retail market level. We have done this by providing supporting bag labels, truck decals and a new consumer website.

A question that has surfaced on many occasions is this: Why go through the effort and expense?

“Done properly, the Heartland Enriched Colorants brand will provide value for all of our customers who embrace its mission.”

The point of branding is to create a preference for a product or service in the mind of the customer. The stronger that preference, the more likely the buyer will pay a fair price and remain loyal for years to come. Done properly, a brand adds value to a product by creating a sense of better performance, increased safety, enhanced status and/or an overall improved experience for the customer. Once fully implemented, this value is not only perceived by our customers but your customers and the retail market.

That’s our shared goal with the Heartland branding initiative. By giving consumers more confidence that the color-enriched mulch they’re buying is high quality and safe and will maintain its vibrant color for months to come, we’re differentiating the product in a meaningful way.

Our new consumer website was launched in April and is designed to answer all the questions a retail consumer might have about colored mulch. It will be a great resource for retail distributors, garden centers and consumers and can also be a sales tool for our Heartland Enriched Colorants customers. They can promote it on their websites and literature, showing the safety and quality of the Heartland brand.

As Amerimulch customers, you’ve experienced the value of the Heartland brand for years. By taking an active role in the launch of Heartland at the retail level, you have the power to extend that value to people in your markets who love their yards. As always, we welcome your comments as we work together to ensure growth and profitability in our businesses.
WHAT IS A HEAVY METAL?

If we eliminate the genre of heavy metal rock music for my own personal hearing protection, what else could be called heavy metal? Since there are nearly 40 known definitions for heavy metals, whose definition for heavy metals should we use? Regardless of whose definition is used, the goal is to eliminate any concern of toxicity or safety issues for our customers.

We take great pride in the safety of our products, and it is important to us to validate that our products are safe. That validation enables us to be able to assure our customers that Amerimulch colorants are environmentally friendly and safe for your customers’ plants, pets and kids.

How do we validate our assertions of safety? We had an independent lab test our black colorant and red colorants along with our raw pigment materials. They were tested for several specific heavy metals. All were found to be below the EPA allowable concentrations.

So back to the definition of heavy metals. What do we mean when we talk about heavy metals? Today most people know that lead and cadmium are dangerous, but what other metals are regulated? The regulatory agencies have a wide variety of regulatory guidelines concerning heavy metals that are very diverse and hard to understand. Each regulatory agency has a different way of defining heavy metals with different threshold reporting limits.

We carefully considered all the definitions and regulations that we are aware of affecting US companies, and we decided to reference the heavy metal content for maximum pollutant concentrations stated by EPA as: Allowed Concentrations in Biosolids and Generally in Composts. We think this is a logical representative for colored mulch.

It is important to note that some heavy metal content is allowed in these materials; it is incorrect to say that your materials are “heavy metal free,” because even dirt and the air have some small trace amounts of these elements. What you can say, with confidence, is that Amerimulch colorants are as safe as the wood fiber they are applied on, and as long as our customers get a good grind on the wood fiber, screen out the metal contaminants and don’t use CCA wood or other harmful fiber, the mulches they make look great and are as safe as the soils they are spread on.

### HEAVY METALS: Allowed Concentrations in Biosolids and Generally in Composts.

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<th>PPM (part per millions)</th>
<th>Arsenic</th>
<th>Cadmium</th>
<th>Chromium</th>
<th>Copper</th>
<th>Lead</th>
<th>Mercury</th>
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<td>EPA Max (PC) (pollutant concentration)</td>
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<td>39</td>
<td>1200</td>
<td>1500</td>
<td>300</td>
<td>17</td>
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By Joanne Bednar
Lab & Quality Manager

www.amerimulch.com
Joseph Majewski has been promoted to President and Chief Operating Officer of ChromaScape, Inc., the parent company of Amerimulch. Majewski succeeds George Chase, who will remain as Chairman of the Board and Chief Executive Officer of ChromaScape.

Majewski has been Vice President of Operations for ChromaScape for the past three years and previously worked as Operations Manager, Plant Manager, Regional Director and Sales Manager for several specialty chemical companies, including Teknor Color, PolyOne, M.A. Hanna Company and Allied Color Industries. He has a Master’s in Business Administration, and he brings strong organizational development skills and an intense commitment to quality in all aspects of operations.

“I am excited and honored to have this opportunity. ChromaScape is a fast-growing company made up of great people and sound business practices,” said Majewski. “Those sound business practices are critical as we face these dynamic and challenging economic times.”

George Chase will continue to play a large role in ChromaScape but will step away from the day-to-day operations of the organization. “The need for our company to continue to grow while operating at high levels of quality dictates the need to realign our management responsibilities at the highest levels,” said Chase. “Our quest to provide Real Tangible Value™ to our customers means that we need to have the time to innovate, experiment and explore ways to improve.”

“Every improvement initiative we consider will have to answer the question: What value does it bring to the customer? I am a firm believer in the process of continuous improvement. Unprecedented cost increases in oil, scrap iron, raw materials, freight and environmental compliance have made it critical to drive lean and continuous improvement initiatives, which will allow us to provide the highest quality of products and services to our customers at the lowest possible cost. Our company has reached its success based on providing Real Tangible Value™ to its customers. We will continue to grow the business on this core principle,” said Majewski.

Joe Majewski
President and COO

Joanne Bednar has joined the company in the role of Lab and Quality Manager. Her responsibilities will include the management and continuous improvement of the quality system and quality control process. She will also be responsible for the oversight and management of all product development projects.

“We are excited to add Joanne to our team. We are committed to being the leader in quality and innovation, and Joanne is another great resource we have added. Her diverse experience in quality systems, project management, lean principles, sales, product management and analytical analysis will be of great value to the company,” said Joe Majewski, President of ChromaScape, Inc.

Jennifer McCann has joined the sales staff as Marketing Coordinator. Jennifer will be working with the sales group and our outside marketing support company (Harrison|Kohn) managing marketing projects. This is a new position in the company and one that will enable Amerimulch to accelerate our growing focus on brand development and product marketing for our products, as well as our customers’ products.

“Marketing has taken an expanded role at Amerimulch, Jennifer’s past experience will allow us to bring more innovative concepts to our customers,” said Scott Thompson, Vice President of Sales and Marketing. “Our expectation is that our marketing and branding development will bring more value to our customers in the near future.”
In February, I had the opportunity to attend a conference on “Iron Oxides for Colorant and Chemical Applications.” This annual event is sponsored by Intertech Pira Corporation and brings together producers and consumers to explore the latest processing innovations, applications and the global market outlook of the synthetic iron oxide industry. Synthetic iron oxide pigment is a main raw material in the production of colorants for the color enriched mulch industry. Of most interest were presentations by the China National Iron Oxide Industrial Association and several major Chinese pigment manufacturers.

Color enriched mulch producers who are new to the industry may find it hard to believe that ten years ago (when ChromaScape acquired the Amerimulch business) the price of mulch colorants was in excess of $2.50 per pound. Since that time, selling prices have been cut in half twice. How were mulch colorant producers able to survive and prosper during this period? The answer is through increased volumes and manufacturing efficiencies, as well as a supply of inexpensive synthetic iron oxides available from China. As noted at the conference, for several reasons, the days of inexpensive pigment from China are over.

Everyone has heard that since July 2007, the Chinese government canceled the 13% export tax rebate previously allowed to Chinese producers. There was no transition period. This action forced many smaller Chinese producers to close and forced many large producers to focus on getting this lost margin back. The cost of pigment for Amerimulch immediately increased by 13%. The Chinese government’s impact on prices didn’t stop with the cancellation of the tariff rebate. With the eyes of the world on China, its government has increased environmental restrictions on discharging process water waste into rivers and dumping in landfills. You may have read of the driving restrictions put in effect in the major cities to help clear the air. In China, the government doesn’t propose or suggest compliance, it demands it.

Half the cost of producing synthetic iron oxide is in the cost of scrap iron, the main raw material. Have you noticed the decline in the number of junk yards in your area over the past few years? This can be linked to the more than 100% increase in value of scrap metal during this time. More than half of the heavy construction cranes in the world today are at work in China. The upcoming Olympic Games and the World’s Fair have put extreme demands on China’s internal supply of steel production competing for scrap iron, thereby driving up the price.

Collectively, these items have increased the cost of synthetic iron oxide pigments by more than 60% from a year ago. Will it decrease the demand? The answer is no, because of the wide end-user applications, from pet foods, to building materials, to cosmetics – there is no substitute that can deliver the color strength, safeness and relative price. While we can’t control the price of pigments, be assured that Amerimulch, the company first to offer our industry fractional pricing and bulk delivery systems, is working hard every day on developing new ways to deliver Real Tangible Value™ to your business.

AMERIMULCH INKS AUSTRALIAN LICENSING AGREEMENT WITH PRM INDUSTRIES

Amerimulch has entered into a licensing agreement with PRM Industries, Pty Ltd, of Victoria, Australia. Under the terms of the agreement, PRM will manufacture mulch colorants utilizing Amerimulch color technology and the Heartland Enriched Colorants brand. The agreement provides stringent quality requirements for raw materials, process control and other quality parameters that will protect the integrity of the Heartland Enriched Colorants brand of mulch colorants.

“Australia is a growing market for colored mulch,” said Robert Youl, Lead Director of PRM. “We are pleased that we have this opportunity to partner-up with such a fine company and industry leader as Amerimulch.”
Customer Spotlight

West Coast Rubber Recycling, Hollister, California

As reported in our First Quarter Newsletter, every region in the country is experiencing wood fiber shortages heading into the 2008 season. As a good alternative to wood fiber, West Coast Rubber Recycling (WCRR) colors rubber from 100% recycled California tires. Not only is this a good solution to the fiber shortage, but it is also good for the environment.

WCRR started doing business as a tire recycler in 1999. Its goal at the time was to reduce the volume of tires going to landfills. During the process, they realized the potential of grinding and coloring the rubber for alternative products. They have been doing business with Amerimulch since 2007.

Their products include playground nuggets, landscape mulch, rubber for horse arenas and synthetic grass infill. Originally, they offered playground nuggets in black only, but later expanded their business to include colored rubber. At that point, they mixed it in a small cement mixer. Because of increased customer demand, 75% of their playground rubber is now being colored using a high-capacity colorizer.

WCRR recently expanded their facility and added several pieces of machinery. This expansion allows them to increase their diversion of tires from the California waste stream. The boom in the “green industries” opened up new opportunities for the business.

“This is a large part of what we founded our business on,” said Cameron Wright, owner. “Being part of the green initiatives, diversion of tires from the waste stream and manufacturing of recyclable materials, all go toward the goals and ideals of our business. We continue to look for opportunities and explore them as they come up.”
EQUIPMENT FOR SALE

**Used 1000 Starter System 220**, 3-phase, single auger mixing chamber. Control panel with high efficiency colorant pump and digital controls for precise application rates, 25-35 yards per hour. For more info contact Amerimulch at 888-556-3304.

**2nd Harvester Coloring System** Diesel-powered with 50-foot stacking conveyor, 6000 hours. For additional details please contact Amerimulch at 888-556-3304.

**King Stone Star Deck Separator** For more details contact Ray Detweiler at 267-377-7510

**Amerimulch Mega Mite** 2000 hours total over past 4 years, production rate of 200 yards per hour. Interested parties please contact Randy at 570-713-4484.

For additional used equipment, please visit Amerimulch.com

If you know of anyone else who would like to receive the newsletter, please contact Jennifer McCann at jenniferm@amerimulch.com and provide their complete address.