

AMERON INTERNATIONAL CORP
Form 10-Q
September 27, 2010

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the quarterly period ended August 29, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from _____ to _____

Commission File Number 1-9102

AMERON INTERNATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 77-0100596
(State or other (I.R.S. Employer
jurisdiction of Identification No.)
incorporation or
organization)

245 South Los Robles Avenue
Pasadena, CA 91101-3638
(Address of principal executive offices)

(626) 683-4000
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | |
|--|--|
| Large accelerated filer | Accelerated filer <input type="checkbox"/> |
| <input checked="" type="checkbox"/> | |
| Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company) | Smaller reporting company <input type="checkbox"/> |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of outstanding shares of Common Stock, \$2.50 par value, was 9,249,105 on September 17, 2010. No other class of Common Stock exists.

AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

FORM 10-Q

For the Quarter Ended August 29, 2010

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PART I – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

| (Dollars in thousands, except per share data) | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | August 29, 2010 | August 30, 2009 | August 29, 2010 | August 30, 2009 |
| Sales | \$134,199 | \$131,378 | \$379,761 | \$410,300 |
| Cost of sales | (101,553) | (95,760) | (282,338) | (303,211) |
| Gross profit | 32,646 | 35,618 | 97,423 | 107,089 |
| Selling, general and administrative expenses | (24,116) | (25,602) | (75,516) | (77,887) |
| Other income, net | 2,132 | 418 | 3,643 | 3,320 |
| Income before interest, income taxes and equity in loss of affiliate | 10,662 | 10,434 | 25,550 | 32,522 |
| Interest expense, net | (243) | (373) | (655) | (692) |
| Income before income taxes and equity in loss of affiliate | 10,419 | 10,061 | 24,895 | 31,830 |
| Provision for income taxes | (1,349) | (3,778) | (4,008) | (8,397) |
| Income before equity in loss of affiliate | 9,070 | 6,283 | 20,887 | 23,433 |
| Equity in loss of affiliate, net of taxes | (168) | (335) | (1,353) | (4,233) |
| Net income | \$8,902 | \$5,948 | \$19,534 | \$19,200 |
| Net income per share allocated to Common Stock (see Note 7) | | | | |
| Basic | \$.96 | \$.64 | \$2.11 | \$2.08 |
| Diluted | \$.96 | \$.64 | \$2.11 | \$2.08 |
| Weighted-average shares (basic) | 9,218,180 | 9,173,955 | 9,200,511 | 9,164,093 |
| Weighted-average shares (diluted) | 9,229,722 | 9,195,970 | 9,215,993 | 9,180,304 |
| Cash dividends per share | \$.30 | \$.30 | \$.90 | \$.90 |

The accompanying notes are an integral part of these consolidated financial statements.

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 AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS – ASSETS (UNAUDITED)

| (Dollars in thousands) | August 29, 2010 | November 30, 2009 |
|--|--------------------|-------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 179,946 | \$ 181,114 |
| Receivables, less allowances of \$4,860 in 2010 and \$5,351 in 2009 | 150,922 | 151,210 |
| Inventories | 63,887 | 62,700 |
| Deferred income taxes | 18,961 | 19,795 |
| Prepaid expenses and other current assets | 11,401 | 11,585 |
| Total current assets | 425,117 | 426,404 |
| Investments | | |
| Equity method affiliate | 25,661 | 30,626 |
| Cost method affiliates | 3,784 | 3,784 |
| Property, plant and equipment | | |
| Land | 46,041 | 46,029 |
| Buildings | 101,897 | 100,583 |
| Machinery and equipment | 364,722 | 345,604 |
| Construction in progress | 34,087 | 32,306 |
| Total property, plant and equipment at cost | 546,747 | 524,522 |
| Accumulated depreciation | (301,591) | (286,014) |
| Total property, plant and equipment, net | 245,156 | 238,508 |
| Deferred income taxes | 14,321 | 14,321 |
| Goodwill and intangible assets, net of accumulated amortization of \$1,281 in 2010 and \$1,257 in 2009 | 2,062 | 2,088 |
| Other assets | 46,826 | 46,818 |
| Total assets | \$762,927 | \$762,549 |

The accompanying notes are an integral part of these consolidated financial statements.

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 AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS – LIABILITIES AND STOCKHOLDERS' EQUITY (UNAUDITED)

| | August 29, 2010 | November 30, 2009 |
|--|--------------------|-------------------------|
| (Dollars in thousands, except per share data) | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Current portion of long-term debt | \$7,539 | \$7,366 |
| Trade payables | 43,234 | 44,052 |
| Accrued liabilities | 77,678 | 77,515 |
| Income taxes payable | 4,313 | 10,004 |
| Total current liabilities | 132,764 | 138,937 |
| Long-term debt, less current portion | | |
| Deferred income taxes | 31,006 | 30,933 |
| Other long-term liabilities | 1,755 | 1,710 |
| | 94,256 | 99,379 |
| Total liabilities | 259,781 | 270,959 |
| Commitments and contingencies | | |
| Stockholders' equity | | |
| Common Stock, par value \$2.50 per share, authorized 24,000,000 shares, outstanding 9,247,105 shares in 2010 and 9,209,836 shares in 2009 | 30,047 | 29,920 |
| Additional paid-in capital | 60,705 | 59,531 |
| Retained earnings | 511,427 | 500,224 |
| Accumulated other comprehensive loss | (41,964) | (42,036) |
| Treasury Stock (2,771,637 shares in 2010 and 2,758,356 shares in 2009) | (57,069) | (56,049) |
| Total stockholders' equity | 503,146 | 491,590 |
| Total liabilities and stockholders' equity | \$762,927 | \$762,549 |

The accompanying notes are an integral part of these consolidated financial statements.

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

| (Dollars In thousands) | Nine Months Ended | |
|---|--------------------|--------------------|
| | August 29, 2010 | August 30, 2009 |
| OPERATING ACTIVITIES | | |
| Net income | \$ 19,534 | \$ 19,200 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 19,401 | 15,229 |
| Amortization | 25 | 28 |
| Loss from affiliate | 1,467 | 4,684 |
| Loss/(gain) from sale of property, plant and equipment | 90 | (72) |
| Stock compensation expense | 1,719 | 3,229 |
| Changes in operating assets and liabilities: | | |
| Receivables, net | 256 | 37,013 |
| Inventories | (1,032) | 25,604 |
| Prepaid expenses and other current assets | 232 | (2,009) |
| Other assets | (81) | (210) |
| Trade payables | (1,012) | (10,226) |
| Accrued liabilities and income taxes payable | (6,197) | (11,332) |
| Other long-term liabilities and deferred income taxes | (4,924) | 5,844 |
| Net cash provided by operating activities | 29,478 | 86,982 |
| INVESTING ACTIVITIES | | |
| Proceeds from sale of property, plant and equipment | 289 | 552 |
| Additions to property, plant and equipment | (25,372) | (35,245) |
| Investment in affiliate | - | (10,000) |
| Loan repayment from/(loan to) affiliate, net | 3,500 | (12,500) |
| Net cash used in investing activities | (21,583) | (57,193) |
| FINANCING ACTIVITIES | | |
| Issuance of debt | 222 | 447 |
| Repayment of debt | (518) | - |
| Debt issuance costs | - | (953) |
| Dividends on Common Stock | (8,331) | (8,286) |
| Issuance of Common Stock | 332 | - |
| Excess tax benefits related to stock-based compensation | - | 796 |
| Purchase of treasury stock | (1,081) | (992) |
| Net cash used in financing activities | (9,376) | (8,988) |
| Effect of exchange rate changes on cash and cash equivalents | 313 | 5,846 |
| Net change in cash and cash equivalents | (1,168) | 26,647 |
| Cash and cash equivalents at beginning of period | 181,114 | 143,561 |
| Cash and cash equivalents at end of period | \$ 179,946 | \$ 170,208 |

The accompanying notes are an integral part of these consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION

Consolidated financial statements for the interim periods included herein are unaudited; however, such financial statements contain all adjustments, including normal recurring accruals, which, in the opinion of Management, are necessary for the fair statement of the consolidated financial position of Ameron International Corporation and all subsidiaries (the "Company" or "Ameron" or the "Registrant") as of August 29, 2010, and consolidated results of operations for the three and nine months ended August 29, 2010 and cash flows for the nine months ended August 29, 2010. Accounting measurements at interim dates inherently involve greater reliance on estimates than at year-end. Results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

For accounting consistency, the quarter typically ends on the Sunday closest to the end of the relevant calendar month. The Company's fiscal year ends on November 30, regardless of the day of the week. Each quarter consists of approximately 13 weeks, but the number of days per quarter can vary from period to period. The quarters ended August 29, 2010 and August 30, 2009 each consisted of 91 days. The nine months ended August 29, 2010 and August 30, 2009 consisted of 272 days and 273 days, respectively.

The consolidated financial statements do not include certain footnote disclosures and financial information normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America and, therefore, should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended November 30, 2009 ("2009 Annual Report").

NOTE 2 – RECENT ACCOUNTING PRONOUNCEMENTS

In June 2008, the Financial Accounting Standards Board ("FASB") issued guidance requiring unvested instruments granted in share-based payment transactions that contain nonforfeitable rights to dividends or dividend equivalents to be accounted for as participating securities subject to the two-class method of computing earnings per share. All earnings per share data for periods prior to adoption are required to be adjusted retrospectively. The Company adopted the guidance as of December 1, 2009, and the adoption did not have a material effect on the Company's consolidated financial statements. See Note 7 for a reconciliation of net income allocated to Common Stock using the two-class method.

In December 2008, the FASB issued revised guidance for employers' disclosures about postretirement benefit plan assets effective for fiscal years ending after December 15, 2009. The FASB requires an employer to disclose investment policies and strategies, categories, fair value measurements, and significant concentration of risk among its postretirement benefit plan assets. The Company will adopt the revised guidance as of November 30, 2010. Adoption is not expected to have a material effect on the Company's consolidated financial statements.

In June 2009, the FASB issued guidance to revise the approach to determine when a variable interest entity ("VIE") should be consolidated. The new consolidation model for VIE's considers whether the Company has the power to direct the activities that most significantly impact the VIE's economic performance and shares in the significant risks and rewards of the entity. The guidance on VIE's requires companies to continually reassess VIE's to determine if consolidation is appropriate and provide additional disclosures. The Company adopted the guidance as of December 1, 2009, and adoption did not have a material effect on the Company's consolidated financial statements.

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In January 2010, the FASB required new disclosures about fair value of financial instruments for interim and annual reporting periods. These new disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for disclosures about purchases, sales, issuances and settlements of Level 3 financial instruments, which are effective for interim and annual reporting periods in fiscal years beginning after December 15, 2010. Adoption is not expected to have a material effect on the Company's consolidated financial statements.

NOTE 3 – RECEIVABLES

The Company's receivables consisted of the following:

| (In thousands) | August 29, 2010 | November 30, 2009 |
|----------------|--------------------|-------------------------|
| Trade | \$ 129,188 | \$ 121,822 |
| Affiliates | 2,145 | 960 |
| Other | 24,449 | 33,779 |
| Allowances | (4,860) | (5,351) |
| | \$ 150,922 | \$ 151,210 |

Trade receivables included unbilled receivables related to percentage-of-completion revenue recognition of \$27,414,000 and \$33,705,000 at August 29, 2010 and November 30, 2009, respectively.

NOTE 4 – INVENTORIES

Inventories are stated at the lower of cost or market. Inventories consisted of the following:

| (In thousands) | August 29, 2010 | November 30, 2009 |
|------------------------|--------------------|-------------------------|
| Finished products | \$ 32,614 | \$ 30,100 |
| Materials and supplies | 23,274 | 22,952 |
| Products in process | 7,999 | 9,648 |
| | \$ 63,887 | \$ 62,700 |

NOTE 5 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Supplemental cash flow information included the following:

| (In thousands) | August 29, 2010 | August 30, 2009 |
|------------------------|--------------------|--------------------|
| Interest paid | \$ 618 | \$ 1,002 |
| Income taxes paid, net | 3,423 | 8,094 |

NOTE 6 – AFFILIATES

Operating results of TAMCO, an investment which is accounted for under the equity method, were as follows:

| Three Months Ended | Nine Months Ended |
|--------------------|-------------------|
|--------------------|-------------------|

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| (In thousands) | August 29, 2010 | August 30, 2009 | August 29, 2010 | August 30, 2009 |
|---------------------|--------------------|--------------------|--------------------|--------------------|
| Net sales | \$35,495 | \$25,543 | \$81,786 | \$65,800 |
| Gross profit/(loss) | 1,063 | 1,099 | 1,249 | (10,179) |
| Net loss | (364) | (741) | (2,933) | (9,367) |

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Investments in Ameron Saudi Arabia, Ltd. ("ASAL") and Bondstrand, Ltd. ("BL") are accounted for under the cost method due to Management's current assessment of the Company's influence over these affiliates. Earnings from ASAL and BL, if any, are included in other income, net.

Earnings and dividends from the Company's affiliates were as follows:

| (In thousands) | Three Months Ended | | Nine Months Ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | August 29, 2010 | August 30, 2009 | August 29, 2010 | August 30, 2009 |
| Earnings from affiliate | | | | |
| Equity in loss of TAMCO before income taxes | \$(182) | \$(371) | \$(1,467) | \$(4,684) |
| Less benefit for income taxes | 14 | 36 | 114 | 451 |
| Equity in loss of TAMCO, net of taxes | \$(168) | \$(335) | \$(1,353) | \$(4,233) |
| Dividends received from affiliates | | | | |
| TAMCO | \$- | \$- | \$- | \$- |
| ASAL | - | - | - | - |
| BL | 1,899 | - | 1,899 | 2,207 |

In 2009, TAMCO entered into a senior secured credit facility with TAMCO's shareholders which provides TAMCO up to \$40,000,000. The shareholder credit facility bears interest at LIBOR plus 3.25% per annum and is scheduled to mature January 31, 2011. As of November 30, 2009, TAMCO borrowed \$30,000,000 under the facility, of which \$15,000,000 was provided by the Company. As of August 29, 2010, TAMCO's usage of the facility totaled \$23,000,000, of which \$11,500,000 was borrowed from the Company. The Company continued to have a 50% ownership interest in TAMCO as of August 29, 2010.

In the fourth quarter of 2010, the Company agreed to sell its ownership in TAMCO for \$82,500,000, before transaction costs. In addition to its investment of \$25,661,000 as of August 29, 2010, accumulated other comprehensive loss included \$4,849,000 related to TAMCO.

NOTE 7 – NET INCOME PER SHARE

Basic and diluted net income per share are computed using the two-class method which allocates earnings to both Common Stock and participating securities. Under the two-class method, unvested restricted Common Stock with non-forfeitable rights to dividends are considered participating securities. Dividends from such participating securities are excluded from net income allocated to Common Stock for purposes of the two-class method calculation.

Basic shares are computed on the basis of the weighted-average number of shares of Common Stock outstanding during the periods presented. Diluted shares are computed on the basis of the weighted-average number of shares of Common Stock outstanding plus the effect of outstanding stock options and restricted stock using the treasury stock method. Stock options and restricted stock of 22,886 and 45,138 shares are excluded from the below calculation for the quarters ended August 29, 2010 and August 30, 2009, respectively, as inclusion would be anti-dilutive. For the nine months ended August 29, 2010 and August 30, 2009, stock options and restricted stock of 19,286 and 45,138 shares, respectively, are excluded from the calculation as inclusion would be anti-dilutive.

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Following is a reconciliation of net income allocated to Common Stock, using the two-class method, and the weighted-average number of shares used in the computation of basic and diluted net income per share allocated to Common Stock:

| (In thousands, except per share data) | Three Months Ended | | Nine Months Ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | August 29, 2010 | August 30, 2009 | August 29, 2010 | August 30, 2009 |
| Numerator for basic income per share: | | | | |
| Net income | \$8,902 | \$5,948 | \$19,534 | \$19,200 |
| Less: net income allocated to participating securities | (42) | (38) | (93) | (131) |
| Net income allocated to Common Stock | \$8,860 | \$5,910 | \$19,441 | \$19,069 |
| Denominator for basic income per share: | | | | |
| Weighted-average shares outstanding, basic | 9,218,180 | 9,173,955 | 9,200,511 | 9,164,093 |
| Basic net income per share allocated to Common Stock | \$.96 | \$.64 | \$2.11 | \$2.08 |
| Numerator for diluted income per share: | | | | |
| Net income | \$8,902 | \$5,948 | \$19,534 | \$19,200 |
| Less: net income allocated to participating securities | (39) | (33) | (85) | (112) |
| Net income allocated to Common Stock | \$8,863 | \$5,915 | \$19,449 | \$19,088 |
| Denominator for diluted income per share: | | | | |
| Weighted-average shares outstanding, basic | 9,218,180 | 9,173,955 | 9,200,511 | 9,164,093 |
| Dilutive effect of stock options and restricted stock | 11,542 | 22,015 | 15,482 | 16,211 |
| Weighted-average shares outstanding, diluted | 9,229,722 | 9,195,970 | 9,215,993 | 9,180,304 |
| Diluted net income per share allocated to Common Stock | \$.96 | \$.64 | \$2.11 | \$2.08 |

NOTE 8 – COMPREHENSIVE INCOME

Comprehensive income was as follows:

| (In thousands) | Three Months Ended | | Nine Months Ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | August 29, 2010 | August 30, 2009 | August 29, 2010 | August 30, 2009 |
| Net income | \$8,902 | \$5,948 | \$19,534 | \$19,200 |
| Foreign currency translation adjustment | 6,685 | 2,246 | 72 | 12,728 |
| Comprehensive income | \$15,587 | \$8,194 | \$19,606 | \$31,928 |

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NOTE 9 – DEBT

The Company's long-term debt consisted of the following:

| (In thousands) | August 29, 2010 | November 30, 2009 |
|--|--------------------|-------------------------|
| Fixed-rate notes: | | |
| 4.25%, payable in Singapore dollars, in annual principal installments of \$7,539 | \$22,618 | \$22,098 |
| Variable-rate industrial development bonds: | | |
| payable in 2016 (.50% at August 29, 2010) | 7,200 | 7,200 |
| payable in 2021 (.50% at August 29, 2010) | 8,500 | 8,500 |
| Variable-rate bank revolving credit facility (1.51% at August 29, 2010) | 227 | 501 |
| Total long-term debt | 38,545 | 38,299 |
| Less current portion | (7,539) | (7,366) |
| Long-term debt, less current portion | \$31,006 | \$30,933 |

The Company maintains a \$100,000,000 revolving credit facility with a syndicate of six banks (the “Revolver”). Under the Revolver, the Company may, at its option, borrow up to the available amount at floating interest rates (LIBOR plus a spread ranging from 2.75% to 3.75%, based on the Company's financial condition and performance) or utilize the facility for letters of credit at a similar spread at any time until maturity in August 2012 when all borrowings under the Revolver must be repaid and letters of credit cancelled. At August 29, 2010, \$17,212,000 of the Revolver was utilized for standby letters of credit; therefore, \$82,788,000 was available under the Revolver.

Foreign subsidiaries also maintain unsecured revolving credit facilities with banks. Foreign subsidiaries may borrow in various currencies at interest rates based upon specified margins over money market rates. Existing foreign credit facilities permit borrowings of up to \$31,122,000. At August 29, 2010, \$227,000 was borrowed under these facilities.

The Company’s lending agreements contain various restrictive covenants, including the requirement to maintain specified amounts of net worth and restrictions on cash dividends, borrowings, liens, capital expenditures, investments, guarantees, and financial covenants. The Company was in compliance with all covenants as of August 29, 2010. The Revolver and the 4.25% term notes are collateralized by substantially all of the Company's assets. The industrial development bonds are supported by standby letters of credit that are issued under the Revolver. The interest rate on the industrial development bonds is based on the Securities Industry and Financial Markets Association (“SIFMA”) Index plus a spread of .20%. Certain note agreements contain provisions regarding the Company's ability to grant security interests or liens in association with other debt instruments. If the Company grants such a security interest or lien, then such notes will be collateralized equally and ratably as long as such other debt shall be collateralized.

Estimated fair value of the Company's debt is prepared in accordance with FASB’s fair value disclosure requirements (see Note 17). These requirements establish a framework for measuring the fair value of financial instruments including a disclosure hierarchy based on the inputs used to measure fair value. The estimated fair value amounts of debt are determined by the Company using available market information, various valuation methodologies and Level 2 measurement inputs. Considerable judgement is required to develop the estimated fair value, thus the estimates provided herein are not necessarily indicative of the amounts that could be realized in a current market exchange.

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

| (In thousands) | Carrying Amount | Fair Value |
|-------------------------------|-----------------|------------|
| August 29, 2010 | | |
| Fixed-rate, long-term debt | \$22,618 | \$23,409 |
| Variable-rate, long-term debt | 15,927 | 15,927 |
| November 30, 2009 | | |
| Fixed-rate, long-term debt | 22,098 | 22,741 |
| Variable-rate, long-term debt | 16,201 | 16,201 |

The Company uses a discounted cash flow technique that incorporates a market interest yield curve with adjustments for duration, optionality and risk profile to determine fair value. The estimated fair value of the Company's fixed-rate, long-term debt is based on U.S. government notes at the respective date plus an estimated spread for similar securities with similar credit risks and remaining maturities.

NOTE 10 – SEGMENT INFORMATION

The Company has determined that it has four operating and three reportable segments: Fiberglass-Composite Pipe, Water Transmission and Infrastructure Products. Infrastructure Products consists of two operating segments, the Pole Products and Hawaii Divisions, which are aggregated. Each of the segments has a dedicated management team and is managed separately, primarily because of differences in products. TAMCO is not included in any of these segments. The Company's Chief Operating Decision Maker is the Chief Executive Officer who primarily reviews sales and income before interest, income taxes and equity in earnings of affiliate for each operating segment in making decisions about allocating resources and assessing performance. The Company allocates certain selling, general and administrative expenses to operating segments utilizing assumptions believed to be appropriate in the circumstances. Costs of certain shared services (e.g., costs of Company-wide insurance programs or benefit plans) are allocated to the operating segments based on revenue, wages or net assets employed. Other items not related to current operations or of an unusual nature are not allocated to the reportable segments, such as adjustments to reflect inventory balances of certain steel inventories under the last-in, first-out (“LIFO”) method, certain unusual legal costs and expenses, interest expense and income taxes.

Following is information related to each reportable segment included in, and in a manner consistent with, internal management reports:

| (In thousands) | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | August 29, 2010 | August 30, 2009 | August 29, 2010 | August 30, 2009 |
| Sales | | | | |
| Fiberglass-Composite Pipe | \$60,128 | \$56,842 | \$179,302 | \$169,115 |
| Water Transmission | 41,432 | 39,764 | 108,532 | 133,558 |
| Infrastructure Products | 32,615 | 34,773 | 91,933 | 107,639 |
| Eliminations | 24 | (1) | (6) | (12) |
| Total Sales | \$134,199 | \$131,378 | \$379,761 | \$410,300 |
| Income Before Interest, Income Taxes and Equity in Loss of Affiliate | | | | |
| Fiberglass-Composite Pipe | \$14,784 | \$17,062 | \$46,614 | \$48,198 |
| Water Transmission | 2,121 | 619 | 491 | 3,314 |
| Infrastructure Products | 3,436 | 2,432 | 7,020 | 9,275 |

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| | | | | | | | | |
|--|----------|---|----------|---|----------|---|----------|---|
| Corporate and unallocated | (9,679 |) | (9,679 |) | (28,575 |) | (28,265 |) |
| Total Income Before Interest, Income Taxes and Equity in | | | | | | | | |
| Loss of Affiliate | \$10,662 | | \$10,434 | | \$25,550 | | \$32,522 | |

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

| (In thousands) | August 29, 2010 | November 30, 2009 |
|---------------------------|--------------------|-------------------------|
| Assets | | |
| Fiberglass-Composite Pipe | \$326,681 | \$314,980 |
| Water Transmission | 191,407 | 191,981 |
| Infrastructure Products | 96,821 | 95,311 |
| Corporate and unallocated | 322,763 | 307,071 |
| Eliminations | (174,745) | (146,794) |
| Total Assets | \$762,927 | \$762,549 |

NOTE 11 – COMMITMENTS AND CONTINGENCIES

In April 2004, Sable Offshore Energy Inc. ("Sable"), as agent for certain owners of the Sable Offshore Energy Project, brought an action against various coatings suppliers and application contractors, including the Company and its subsidiary, Ameron B.V., in the Supreme Court of Nova Scotia, Canada. Sable seeks damages allegedly sustained by it resulting from performance problems with several coating systems used on the Sable Offshore Energy Project, including coatings products furnished by the Company and Ameron B.V. All of the co-defendants, other than the Company, Ameron B.V. and an unaffiliated licensee of the Company, have since settled. Sable's originating notice and statement of claim alleged a claim for damages in an unspecified amount. Sable later then alleged that its claim for damages against all defendants was approximately 440,000,000 Canadian dollars. More recently, however, Sable sent the Company a revised claim which included an alternative method for calculating damages. Although Sable did not specify an aggregate claim amount under its alternative method, that method if adopted would appear to substantially reduce the amount of damages. Nonetheless, the Company contests any claim amount and is vigorously defending itself on the merits in this action. This matter is in discovery, and no trial date has yet been established. Based upon the information available to it at this time, the Company is not able to estimate the possible range of loss with respect to this case.

In the previously disclosed action by Dominion Exploration and Production, Inc. and Pioneer Natural Resources USA, Inc. against the Company in Civil District Court for the Parish of Orleans, Louisiana, a settlement agreement was executed during the second quarter of 2010. No payment by the Company was required as part of the settlement. The terms of the settlement did not have a material effect on the Company's financial condition or results of operations in either the second or third quarters and are not expected to have a material effect on its results of operation in the future. In accordance with the settlement agreement, the case was dismissed pursuant to an order of the court on July 26, 2010.

In July 2004, BP America Production Company ("BP America") brought an action against the Company in the 24th Judicial District Court, Parish of Jefferson, Louisiana in connection with fiberglass pipe sold by the Company for installation in four offshore platforms constructed for BP America. The plaintiff seeks damages allegedly sustained by it resulting from claimed defects in such pipe. BP America's petition as filed alleged a claim against the Company for rescission, products liability, negligence, breach of contract and warranty and for damages in an amount of not less than \$20,000,000; but BP America has since reduced its claim to \$12,900,000. The Company contests this amount. This matter is in discovery, and no trial date has yet been established. The Company intends to vigorously defend itself in this action. Based upon the information available to it at this time, the Company is not able to estimate the possible range of loss with respect to this case.

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In June 2006, the Cawelo, California Water District ("Cawelo") brought an action against the Company in the Superior Court, Kern County, California in connection with concrete pipe sold by the Company in 1995 for a wastewater recovery pipeline in such county. Cawelo seeks damages allegedly sustained by it resulting from the failure of such pipe in 2004. Cawelo's petition as filed alleged a claim against the Company for products liability, negligence, breach of express warranty and breach of written contract and for damages in an amount of not less than \$8,000,000, a figure which the Company contests. This matter is in discovery, and trial is currently scheduled to commence on January 24, 2011. The Company is vigorously defending itself in this action. Based upon the information available to it at this time, the Company is not able to estimate the possible range of loss with respect to this case.

In August 2010, Petroleum Polymer Company LLC ("PPC") brought an action against Ameron (Pte) Ltd. ("Ameron Pte"), an indirect subsidiary of the Company, in the Primary Court of Oman. The complaint alleged that Ameron Pte breached the terms of a purchase agreement for its supply of fiberglass pipe to PPC for use in an oil extraction project in Oman. PPC's primary allegation is that a component supplied by Ameron Pte failed during testing, resulting in a failure of the pipe system. PPC asserted damages totaling approximately \$20,000,000, including alleged claims for the cost of replacing damaged pipe, recovery of penalties incurred due to the resulting delay in the project, and lost future opportunities. The first hearing of this matter is scheduled for October 2, 2010. Ameron Pte contests any claim amount and intends to vigorously defend itself in this action. Based upon the information available to it at this time, the Company is not able to estimate the possible range of loss with respect to this case.

The Company is a defendant in a number of asbestos-related personal injury lawsuits. These cases generally seek unspecified damages for asbestos-related diseases based on alleged exposure to products previously manufactured by the Company and others. As of August 29, 2010, the Company was a defendant in 15 asbestos-related cases, compared to 17 cases as of August 29, 2009. During the quarter ended August 29, 2010, there were two new asbestos-related cases, one case dismissed, three cases settled and no judgments or recovery; and expenses totaled \$13,000. In the nine months ended August 29, 2010, the Company incurred expenses of \$77,000 and recovered \$28,000. Based upon the information available to it at this time, the Company is not able to estimate the possible range of loss with respect to these cases.

In December 2008, the Company received from the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") a Requirement to Furnish Information regarding transactions involving Iran. The Company has cooperated fully with OFAC on this matter. With the assistance of outside counsel, the Company conducted an internal inquiry and responded to OFAC. Based upon the information available to it at this time, the Company is not able to predict the outcome of this matter. If the Company violated governmental regulations, material fines and penalties could be imposed.

The Company is subject to federal, state and local laws and regulations concerning the environment and is currently participating in administrative proceedings at several sites under these laws. While the Company finds it difficult to estimate with any certainty the total cost of remediation at the several sites, on the basis of currently available information and reserves provided, the Company believes that the outcome of such environmental regulatory proceedings will not have a material effect on the Company's financial position, cash flows, or results of operations.

In addition, certain other claims, suits and complaints that arise in the ordinary course of business have been filed or are pending against the Company. Management believes that these matters are either adequately reserved, covered by insurance, or would not have a material effect on the Company's financial position, cash flows or results of operations if disposed of unfavorably.

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NOTE 12 – PRODUCT WARRANTIES AND GUARANTEES

The Company's product warranty accrual reflects Management's estimate of probable liability associated with product warranties. The Company generally provides a standard product warranty covering defects for a period not exceeding one year from date of purchase. Management establishes product warranty accruals based on historical experience and other currently-available information. Changes in the product warranty accrual were as follows:

| (In thousands) | Nine Months Ended | |
|-------------------------------------|--------------------|--------------------|
| | August 29, 2010 | August 30, 2009 |
| Balance, beginning of period | \$3,396 | \$3,238 |
| Payments | (998) | (2,751) |
| Warranties issued during the period | 374 | 2,468 |
| Balance, end of period | \$2,772 | \$2,955 |

NOTE 13 – INCENTIVE STOCK COMPENSATION PLANS

As of August 29, 2010, the Company had outstanding grants under the following share-based compensation plans:

- 2001 Stock Incentive Plan ("2001 Plan") - The 2001 Plan was terminated in 2004, except as to the outstanding stock options and restricted stock grants. Prior to termination, a total of 380,000 new shares of Common Stock were made available for awards to key employees and non-employee directors. Non-employee directors were granted options under the 2001 Plan to purchase the Company's Common Stock at prices not less than 100% of market value on the date of grant. Such options vested in equal annual installments over four years. Such options terminate ten years from the date of grant.
- 2004 Stock Incentive Plan ("2004 Plan") - The 2004 Plan serves as the successor to the 2001 Plan and supersedes that plan. A total of 525,000 new shares of Common Stock were made available for awards to key employees and non-employee directors and may include, but are not limited to, stock options and restricted stock grants. Non-employee directors were granted options under the 2004 Plan to purchase the Company's Common Stock at prices not less than 100% of market value on the date of grant. Such options vest in equal annual installments over four years and terminate ten years from the date of grant. Key employees and non-employee directors were granted restricted stock under the 2004 Plan. Such restricted stock grants typically vest in equal annual installments over three years. During the nine months ended August 29, 2010, the Company granted 11,500 restricted shares to key employees with a fair value on the grant date of \$781,000 and 10,800 restricted shares to non-employee directors with a fair value on the grant date of \$684,000. During the nine months ended August 30, 2009, the Company granted 16,200 restricted shares to key employees with a fair value on the grant date of \$806,000 and 12,000 restricted shares to non-employee directors with a fair value on the grant date of \$575,000. In 2007, the Company agreed to provide to a key employee 18,000 shares of Common Stock to be granted and fully vested each February of 2009 and 2010. The fair value of those shares on the date promised was \$3,597,000. Additionally, in April 2010, the key employee was issued 8,000 shares with a market value of \$506,000 related to performance stock units granted in 2007.

In addition to the above, in 2001, non-employee directors were granted options to purchase the Company's Common Stock at prices not less than 100% of market value on the date of grant. Such options vested in equal annual installments over four years and terminate ten years from the date of grant. At August 29, 2010, there were 4,000 such options outstanding.

The Company's income before income taxes and equity in loss of affiliate in the three months ended August 29, 2010 included compensation expense of \$286,000, related to stock-based compensation arrangements, compared to

\$867,000 in 2009. Tax benefit related to this expense was \$112,000 in 2010, compared to \$338,000 in 2009. In the nine months ended August 29, 2010 and August 30, 2009, compensation expenses were \$1,719,000 and \$3,229,000, respectively, related to stock-based compensation arrangements. Tax benefit related to this expense was \$670,000 in 2010, compared to \$1,259,000 in 2009. There were no capitalized share-based compensation costs in the three and nine months ended August 29, 2010 and August 30, 2009.

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The Company recognized a tax deficiency of \$689,000 in the nine months ended August 29, 2010 and an excess tax benefit of \$796,000 in the nine months ended August 30, 2009, each related to stock-based compensation.

The following table summarizes the stock option activity in the nine months ended August 29, 2010:

| | Number of | Weighted- Average Exercise Price | Weighted- Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value (in thousands) |
|--|-----------|---|---|--|
| Options | Options | per Share | | |
| Outstanding at November 30, 2009 | 36,302 | \$37.61 | | |
| Granted | - | - | | |
| Exercised | (11,250) | 29.50 | | |
| Outstanding at August 29, 2010 | 25,052 | 41.25 | 3.56 | \$587 |
| Options exercisable at August 29, 2010 | 23,151 | 36.32 | 3.24 | \$587 |

In the three and nine months ended August 29, 2010 and August 30, 2009, no options were granted, forfeited or expired. In the three and nine months ended August 29, 2010, 750 and 11,250 options were exercised, respectively. In the three and nine months ended August 30, 2009, no options were exercised. The aggregate intrinsic value in the table above represents the total pretax intrinsic value, which is the difference between the closing price of the Company's Common Stock on the last trading day of the third quarter of 2010 and the exercise price times the number of shares that would have been received by the option holders if they exercised their options on August 29, 2010. This amount will change based on the fair market value of the Company's Common Stock.

As of August 29, 2010, there was \$1,293,000 of total unrecognized compensation cost related to stock-based compensation arrangements. That cost is expected to be recognized over a weighted-average period of three years.

In the three months ended August 29, 2010, no shares of restricted stock were granted. In the nine months ended August 29, 2010, 22,300 shares of restricted stock were granted. The weighted-average, grant-date fair value of such stock was \$65.67. The fair value of restricted stock which vested and promised stock which was granted during the nine months ended August 29, 2010 was \$3,381,000. In the three months ended August 30, 2009, no shares of restricted stock were granted. In the nine months ended August 30, 2009, 28,200 shares of restricted stock were granted. The weighted-average grant-date fair value of such restricted stock was \$49.29 per share. The fair value of restricted stock, which vested during the nine months ended August 30, 2009, was \$2,678,000. In the nine months ended August 29, 2010, 6,000 shares of restricted stock were forfeited with a fair value of \$286,000.

Net cash proceeds from stock options exercised in the nine months ended August 29, 2010 were \$332,000. The Company's policy is to issue shares from its authorized shares upon the exercise of stock options.

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NOTE 14 – EMPLOYEE BENEFIT PLANS

In the three and nine months ended August 29, 2010 and August 30, 2009, net pension and postretirement costs were comprised of the following:

Employee Benefit Plans (Three Months Ended August 29, 2010 and August 30, 2009)

| (In thousands) | Pension Benefits | | | | U.S. Postretirement Benefits | |
|--|------------------|----------|----------------|--------|------------------------------|------|
| | U.S. Plans | | Non-U.S. Plans | | 2010 | 2009 |
| | 2010 | 2009 | 2010 | 2009 | | |
| Service cost | \$964 | \$860 | \$107 | \$86 | \$21 | \$20 |
| Interest cost | 2,919 | 3,677 | 629 | 584 | 52 | 56 |
| Expected return on plan assets | (2,851) | (3,442) | (443) | (393) | (7) | (7) |
| Amortization of unrecognized prior service cost | 13 | 20 | 78 | 72 | 5 | 5 |
| Amortization of unrecognized net transition obligation | - | - | - | - | 12 | 12 |
| Amortization of accumulated loss | 2,702 | 1,753 | (40) | (110) | 6 | 1 |
| Net periodic cost adjustment to retained earnings, pre-tax | - | (408) | - | - | - | - |
| Net periodic cost | \$3,747 | \$2,460 | \$331 | \$239 | \$89 | \$87 |

Employee Benefit Plans (Nine Months Ended August 29, 2010 and August 30, 2009)

| (In thousands) | Pension Benefits | | | | U.S. Postretirement Benefits | |
|--|------------------|-----------|----------------|----------|------------------------------|-------|
| | U.S. Plans | | Non-U.S. Plans | | 2010 | 2009 |
| | 2010 | 2009 | 2010 | 2009 | | |
| Service cost | \$2,892 | \$2,580 | \$321 | \$258 | \$63 | \$60 |
| Interest cost | 8,757 | 11,031 | 1,887 | 1,752 | 156 | 168 |
| Expected return on plan assets | (8,553) | (10,326) | (1,329) | (1,179) | (21) | (21) |
| Amortization of unrecognized prior service cost | 39 | 60 | 234 | 216 | 15 | 15 |
| Amortization of unrecognized net transition obligation | - | - | - | - | 36 | 36 |
| Amortization of accumulated loss | 8,106 | 5,259 | (120) | (330) | 18 | 3 |
| Net periodic cost adjustment to retained earnings, pre-tax | - | (1,224) | - | - | - | - |
| Net periodic cost | \$11,241 | \$7,380 | \$993 | \$717 | \$267 | \$261 |

The Company contributed \$12,000,000 to its U.S. pension plan and \$2,471,000 to its non-U.S. pension plans in the first nine months of 2010. The Company expects to contribute an additional \$900,000 to its U.S. pension plan and \$129,000 to its non-U.S. pension plans during the remainder of 2010.

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NOTE 15 – OTHER LONG-TERM LIABILITIES

Other long-term liabilities were as follows:

| (In thousands) | August 29, 2010 | November 30, 2009 |
|--|--------------------|-------------------------|
| Accrued pension and postretirement benefits cost | \$81,910 | \$86,568 |
| Taxes payable | 9,974 | 9,974 |
| Compensation and benefits | 1,942 | 1,904 |
| Other | 430 | 933 |
| | \$94,256 | \$99,379 |

NOTE 16 – PROVISION FOR INCOME TAXES

Income taxes decreased to \$1,349,000 in the third quarter of 2010, from \$3,778,000 in the same period of 2009. Income taxes decreased to \$4,008,000 in the first nine months of 2010, from \$8,397,000 in the comparable period in 2009. The effective tax rate decreased to 16.1% in the first nine months of 2010, down from 26.4% in the first nine months of 2009. The effective rate in 2010 was reduced by tax benefits recorded in the second quarter of 2010, including a \$599,000 decrease in the valuation allowance for deferred assets related to delayed bonuses and restricted stock and a \$361,000 decrease in current taxes payable related to the same matter. These decreases represented corrections of amounts recorded in the fourth quarter of 2009. The effective rate in 2009 was reduced by tax benefits of \$1,476,000 recorded in the second quarter of 2009, of which \$1,199,000 was associated with an adjustment to a deferred tax liability related to earnings and profits from the Company's New Zealand subsidiary and \$277,000 related to a decrease in the valuation allowance related to net operating losses of the Company's subsidiary in the Netherlands. This \$1,199,000 represented a correction of an amount recorded in prior period financial statements. Management believes these corrections to be immaterial to prior interim and annual financial statements. The effective tax rates for the first nine months of 2010 and 2009 were based on forecasted full-year earnings and the anticipated mix of domestic and foreign earnings and the above discrete items. Income from certain foreign operations and joint ventures is taxed at rates that are lower than the U.S. statutory tax rates. The effective tax rates for interim periods are not necessarily indicative of the tax rates for the full fiscal years.

At August 29, 2010, the total amount of gross unrecognized tax benefits, excluding interest, was \$10,916,000. This amount is not reduced for offsetting benefits in other tax jurisdictions and for the benefit of future tax deductions that would arise as a result of settling such liabilities as recorded. Of this amount, \$5,461,000 would reduce the Company's income tax expense and effective tax rate, after giving effect to offsetting benefits from other tax jurisdictions and resulting future deductions. At November 30, 2009, the total amount of gross unrecognized tax benefits, excluding interest, was \$9,230,000.

The Company anticipates that it is reasonably possible that the total amount of unrecognized tax benefits may significantly change within the succeeding 12 months as a result of the expiration of certain state and foreign statutes of limitations and the settlement of certain state audits. The Company estimates that these events could reasonably result in a possible decrease in unrecognized tax benefits of \$2,249,000.

The Company accrues interest and penalties related to unrecognized tax benefits as income tax expense. Accruals totaling \$1,383,000 were recorded as a liability in the Company's consolidated balance sheet at August 29, 2010, compared to \$1,030,000 as of November 30, 2009.

The Company's federal income tax returns remain subject to examination for the 2007 and forward tax years. The Company files multiple state income tax returns, including California, Hawaii, Arizona and Texas, with open statutes for all years from 2005. The Company also files multiple foreign income tax returns and remains subject to examination in major foreign jurisdictions, including the Netherlands, Singapore and Malaysia, for all years from 2002.

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NOTE 17 – FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company utilizes market data or assumptions that the Company believes market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable.

The Company primarily applies the market approach for recurring fair value measurements and endeavors to utilize the best available information. Accordingly, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Company is able to classify fair value balances based on the observability of those inputs.

A fair value hierarchy prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Level 2 measurements utilize observable inputs in markets other than active markets.

Assets and/or liabilities measured at fair value on a recurring basis included the following as of August 29, 2010:

| (In thousands) | Fair Value Measurements Using | | | Liabilities At Fair Value |
|--------------------------|-------------------------------|-------------|------------|---------------------------------|
| | Level 1 | Level 2 | Level 3 | |
| Liabilities | | | | |
| Derivative liabilities | \$- | \$57 | \$- | \$57 |
| Total liabilities | \$- | \$57 | \$- | \$57 |

Assets and/or liabilities measured at fair value on a recurring basis included the following as of August 30, 2009:

| (In thousands) | Fair Value Measurements Using | | | Assets At Fair Value |
|---------------------|-------------------------------|-------------|------------|----------------------------|
| | Level 1 | Level 2 | Level 3 | |
| Assets | | | | |
| Derivative assets | \$- | \$10 | \$- | \$10 |
| Total assets | \$- | \$10 | \$- | \$10 |

Derivatives

The Company and its subsidiaries complete transactions in currencies other than their functional currencies. The Company's primary objective with respect to currency risk is to reduce net income volatility that would otherwise occur due to exchange-rate fluctuations. In order to minimize the risk of gain or loss due to exchange rates, the Company may from time to time use foreign currency derivatives. As of August 29, 2010, the Company held one foreign currency forward contract in the amount of \$6,000,000 U.S. dollars, hedging Singapore dollars, and one contract in the amount of \$365,000 U.S. dollars, hedging Euros. As of August 30, 2009, the Company held one foreign currency forward contract totaling \$4,000,000 U.S. dollars, hedging Singapore dollars, and two contracts aggregating \$850,000 U.S. dollars, hedging Euros. Such instruments had a combined fair value loss of \$57,000 and a fair value gain of \$10,000 as of August 29, 2010 and August 30, 2009, respectively, based on quotations from financial institutions. Derivatives are recorded as receivables and or liabilities on the balance sheet, and the related gains and losses are recognized as other income, net on the income statement.

NOTE 18 – SUBSEQUENT EVENTS

On September 14, 2010, the Company entered into a definitive agreement to sell its 50% ownership of TAMCO to Gerdau Ameristeel US Inc. for \$82,500,000 in cash, before transaction costs and working capital adjustments. The sale is subject to customary closing conditions, including a Hart-Scott-Rodino filing, and is expected to be completed during the Company's fourth quarter of 2010. The Company's investment in TAMCO was \$30,500,000 (see Note 6) as of August 29, 2010 and the Company expects to realize a pretax gain of approximately \$49,000,000 and net cash proceeds of approximately \$60,000,000.

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

ITEM 2 – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

Ameron International Corporation ("Ameron", the "Company", the "Registrant" or the "Corporation") is a multinational manufacturer of highly-engineered products and materials for the chemical, industrial, energy, transportation and infrastructure markets. Ameron is a leading producer of water transmission lines; fiberglass-composite pipe for transporting oil, chemicals and corrosive fluids and specialized materials; and products used in infrastructure projects. The Company operates businesses in North America, South America, Europe and Asia. The Company has three reportable segments. The Fiberglass-Composite Pipe Group manufactures and markets filament-wound and molded composite fiberglass pipe, tubing, fittings and well screens. The Water Transmission Group manufactures and supplies concrete and steel pressure pipe, concrete non-pressure pipe, protective linings for pipe and fabricated steel products, such as large-diameter wind towers. The Infrastructure Products Group consists of two operating segments, which are aggregated: the Hawaii Division which manufactures and sells ready-mix concrete, sand, aggregates, concrete pipe and culverts and the Pole Products Division which manufactures and sells concrete and steel lighting and traffic poles. The markets served by the Fiberglass-Composite Pipe Group are worldwide in scope. The Water Transmission Group serves primarily the western U.S. for pipe and sells wind towers primarily west of the Mississippi river. The Infrastructure Products Group's quarry and ready-mix business operates exclusively in Hawaii, and poles are sold throughout the U.S. Ameron also has partial ownership of several affiliated companies, directly in the U.S. and Saudi Arabia, and indirectly in Egypt.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Analysis of Liquidity and Capital Resources and Results of Operations are based upon the Company's consolidated financial statements, which are prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires Management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities during the reporting periods. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

Management believes that certain accounting policies affect the more significant estimates used in preparing the consolidated financial statements. A summary of these policies is included in Management's Discussion and Analysis ("MD&A") under Part II, Item 7 of the Company's 2009 Annual Report on Form 10-K.

LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital, including cash and cash equivalents and current portion of long-term debt totaled \$292.4 million as of August 29, 2010, an increase of \$4.9 million from working capital of \$287.5 million as of November 30, 2009. Cash and cash equivalents totaled \$179.9 million as of August 29, 2010, compared to \$181.1 million as of November 30, 2009.

In the nine months ended August 29, 2010, net cash of \$29.5 million was provided by operating activities, compared to \$87.0 million generated in the similar period in 2009. In the nine months ended August 29, 2010, the Company's cash provided by operating activities included net income of \$19.5 million, plus non-cash adjustments (depreciation, amortization, loss from affiliate, loss from asset sales and stock compensation expense) of \$22.7 million, reduced by

changes in operating assets and liabilities of \$12.7 million. In the nine months ended August 30, 2009, the Company's cash provided by operating activities included net income of \$19.2 million, plus non-cash adjustments (depreciation, amortization, loss from affiliate, gain from asset sales and stock compensation expense) of \$23.1 million, plus changes in operating assets and liabilities of \$44.7 million. The \$57.5 million difference in net cash from operations between 2009 and 2010 was due to the sharp decline in business activity from 2008 to 2009, which did not repeat in 2010.

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Net cash used in investing activities totaled \$21.6 million in the nine months ended August 29, 2010, compared to \$57.2 million used in the nine months ended August 30, 2009. Net cash used in investing activities during the first nine months of 2010 consisted of capital expenditures of \$25.4 million, compared to \$35.3 million in the same period of 2009. In addition to normal replacement and upgrades of machinery and equipment, the Company expanded fiberglass pipe plants in Texas and Brazil in 2010 and 2009. Normal replacement expenditures are typically equal to depreciation. During the year ending November 30, 2010, the Company anticipates spending between \$30 and \$40 million on capital expenditures. Capital expenditures are expected to be funded by existing cash balances, cash generated from operations or additional borrowings. During the first nine months of 2009, the Company contributed capital of \$10.0 million to TAMCO, the Company's 50%-owned affiliate which operates a steel mini-mill in California. Also, during the first nine months of 2009, the Company provided \$12.5 million in loans to TAMCO. The Company provides funding to TAMCO as part of the Company's \$20.0 million commitment under a \$40.0 million senior secured credit facility provided by TAMCO's shareholders. As of August 29, 2010, TAMCO's usage of the facility totaled \$23.0 million, of which \$11.5 million was borrowed from the Company, down from \$15.0 million as of November 30, 2009. In the fourth quarter of 2010, the Company agreed to sell its ownership in TAMCO.

Net cash used in financing activities totaled \$9.4 million during the nine months ended August 29, 2010 and \$9.0 million in the nine months ended August 30, 2009. Net cash used in 2010 consisted of payment of Common Stock dividends of \$8.3 million, treasury stock purchases of \$1.1 million (related to the payment of taxes associated with the vesting of restricted shares) and net repayment of debt of \$.3 million, offset by \$.3 million provided by the issuance of Common Stock. Net cash used in 2009 consisted of payment of Common Stock dividends of \$8.3 million, similar treasury stock purchases of \$1.0 million and debt issuance costs of \$1.0 million. Also in 2009, the Company recognized tax benefits related to stock-based compensation of \$.8 million and issued debt of \$.4 million.

The Company's primary bank line is a revolving credit facility with six banks (the "Revolver"). Under the Revolver, the Company may, at its option, borrow up to the available amount at floating interest rates (at a rate of LIBOR plus a spread ranging from 2.75% to 3.75%, determined based on the Company's financial condition and performance) or utilize the facility for letters of credit at a similar spread, at any time until August 2012, when all borrowings under the Revolver must be repaid and letters of credit cancelled. Although Management believes the Company would be able to replace the facility at that time, there can be no assurance that the Company would be able to do so under the same favorable terms and conditions. At August 29, 2010, \$82.8 million was available under the Revolver.

The Revolver contains various restrictive covenants, including the requirement to maintain specified amounts of net worth and restrictions on cash dividends, borrowings, liens, investments, capital expenditures, guarantees, and financial covenants. The Company is required to maintain consolidated net worth of \$375.5 million plus 50% of net income and 75% of proceeds from any equity issued after November 30, 2008. The Company's consolidated net worth exceeded the covenant amount by \$151.9 million as of August 29, 2010. The Company is required to maintain a consolidated leverage ratio of consolidated funded indebtedness to earnings before interest, taxes, depreciation and amortization ("EBITDA") of no more than 2.50 times. At August 29, 2010, the Company maintained a consolidated leverage ratio of .55 times EBITDA. The Revolver requires the Company to maintain qualified consolidated tangible assets at least equal to the outstanding secured funded indebtedness. At August 29, 2010, qualifying tangible assets equaled 4.59 times funded indebtedness. Under the most restrictive fixed charge coverage ratio, the sum of EBITDA and rental expense less cash taxes must be at least 1.30 times the sum of interest expense, rental expense, dividends and scheduled funded debt payments. At August 29, 2010, the Company maintained such a fixed charge coverage ratio of 2.13 times. Under the most restrictive provisions of the Company's lending agreements, \$21.3 million of retained earnings were not restricted at August 29, 2010, as to the declaration of cash dividends or the repurchase of Company stock. At August 29, 2010, the Company was in compliance with all covenants of its various lending agreements.

Cash and cash equivalents at August 29, 2010 totaled \$179.9 million, a decrease of \$1.2 million from November 30, 2009. At August 29, 2010, the Company had total debt outstanding of \$38.5 million, compared to \$38.3 million at November 30, 2009, and \$113.7 million in unused committed and uncommitted credit lines available from foreign and domestic banks. The Company's highest borrowing and the average borrowing levels during 2010 were \$39.5 million and \$38.3 million, respectively.

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Cash balances are held throughout the world, including \$108.8 million held outside of the U.S. at August 29, 2010. Most of the amounts held outside of the U.S. could be repatriated to the U.S. but, under current law, would be subject to U.S. federal income taxes, less applicable foreign tax credits. The Company currently plans to indefinitely maintain significant cash balances outside the U.S.

The Company contributed \$12.0 million to its U.S. pension plan and \$2.5 million to its non-U.S. pension plans in the first nine months of 2010. The Company expects to contribute an additional \$.9 million to its U.S. pension plan and \$.1 million to its non-U.S. pension plans during the remainder of 2010.

In 2009, TAMCO entered into a senior secured credit facility with TAMCO's shareholders which provides TAMCO up to \$40.0 million. The shareholder credit facility bears interest at LIBOR plus 3.25% per annum and is scheduled to mature January 31, 2011. As of August 29, 2010, TAMCO borrowed \$23.0 million under the facility, of which \$11.5 million was provided by the Company. The facility will be eliminated upon closing of the pending sale of TAMCO.

Management believes that cash flow from operations and current cash balances, together with currently available lines of credit, will be sufficient to meet operating requirements for the remainder of 2010. Cash available from operations could be affected by a worsening of the general economic downturn or any further decline or adverse changes in the Company's business, such as a loss of customers, competitive pricing pressures or significant raw material price increases.

The Company's contractual obligations and commercial commitments at August 29, 2010 are summarized as follows (in thousands):

| Contractual Obligations | Total | Payments Due by Period | | | |
|--|-----------------|------------------------|-----------------|----------------|------------------|
| | | Less than 1 year | 1-3 years | 3-5 years | After 5 years |
| Long-term debt | \$38,545 | \$7,539 | \$15,306 | \$- | \$15,700 |
| Interest payments on debt (a) | 2,093 | 500 | 1,116 | 157 | 320 |
| Operating leases | 34,028 | 4,140 | 5,188 | 2,595 | 22,105 |
| Pension funding | 1,029 | 1,029 | - | - | - |
| Uncertain tax positions | 2,249 | 2,249 | - | - | - |
| Total contractual obligations (b) | \$77,944 | \$15,457 | \$21,610 | \$2,752 | \$38,125 |

| Contractual Commitments | Total | Commitments Expiring Per Period | | | |
|---|----------------|---------------------------------|------------|------------|------------------|
| | | Less than 1 year | 1-3 years | 3-5 years | After 5 years |
| Standby letters of credit (c) | \$1,145 | \$1,145 | \$- | \$- | \$- |
| Total commercial commitments (b) | \$1,145 | \$1,145 | \$- | \$- | \$- |

(a) Future interest payments related to debt obligations, excluding the Revolver.

(b) The Company has no capitalized lease obligations, unconditional purchase obligations or standby repurchases obligations.

(c) Not included are standby letters of credit totaling \$16,067 supporting industrial development bonds with principal of \$15,700. The principal amount of the industrial development bonds is included in long-term debt. The standby letters of credit are issued under the Revolver.

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RESULTS OF OPERATIONS: 2010 COMPARED WITH 2009

General

Net income totaled \$8.9 million, or \$.96 per diluted share, on sales of \$134.2 million in the three months ended August 29, 2010, compared to \$5.9 million, or \$.64 per diluted share, on sales of \$131.4 million in the third quarter of 2009. Sales increases by the Fiberglass-Composite Pipe Group and the Water Transmission Group were partially offset by a decrease by the Infrastructure Products Group. The Fiberglass-Composite Pipe Group benefited from increased demand in energy markets, and the Water Transmission Group benefited from increased production by domestic pipe operations. The Infrastructure Products Group continued to be impacted by weak construction spending. Segment income slightly increased, in spite of a decline by the Fiberglass-Composite Pipe Group, due to higher segment income from the other two Groups. Net income increased in 2010 due to improved results of TAMCO, the Company's 50%-owned steel affiliate, and a reduction in the provision for income taxes.

Net income totaled \$19.5 million, or \$2.11 per diluted share, on sales of \$379.8 million in the nine months ended August 29, 2010, compared to \$19.2 million, or \$2.08 per diluted share, on sales of \$410.3 million in the same period in 2009. The Fiberglass-Composite Pipe Group had higher sales due to continued strength in the marine and offshore markets and improvements in the onshore oilfield market. However, segment income declined due to a change in project mix and higher costs. The Water Transmission Group had lower sales and lower segment income due to sluggish water pipe and wind tower demand. The Infrastructure Products Group had lower sales and lower segment income due to continued reduced construction spending. The decline in segment income in the nine months ended August 29, 2010 from consolidated businesses was partially offset by improved results from TAMCO and a reduction in income taxes.

Sales

Total consolidated sales increased \$2.8 million, or 2.1%, in the third quarter of 2010, compared to the similar period in 2009 as increased sales of the Fiberglass-Composite Pipe and Water Transmission Groups were partially offset by reduced sales of the Infrastructure Products Group. Total consolidated sales in the nine months ending August 29, 2010 decreased \$30.5 million, or 7.4%, compared to the similar period in the prior year, due to weak economic conditions.

Fiberglass-Composite Pipe's sales increased \$3.3 million, or 5.8%, in the third quarter of 2010 and \$10.2 million, or 6.0%, in the first nine months of 2010, compared to the similar periods in 2009. Sales from operations in the U.S. increased \$7.5 million and \$8.9 million in the three and nine months ended August 29, 2010, respectively. Third-quarter sales from U.S. operations increased largely due to demand in key onshore oilfield and mining markets. Sales from Asian operations decreased \$3.2 million and \$2.8 million in the third quarter and first nine months of 2010, respectively, as increased sales into industrial markets only partially offset the decline in marine and offshore markets due to completion of large projects. Sales from European operations decreased \$3.4 million and \$8.8 million in the third quarter and first nine months of 2010, respectively, due to softer market conditions in industrial and oilfield markets. Sales from Brazilian operations increased \$2.4 million and \$13.0 million in the third quarter and first nine months of 2010, respectively, due to the operation of a new oil field pipe plant and growth in the municipal water market. Orders for marine and offshore projects softened in recent months; however, looking forward, the Fiberglass-Composite Pipe Group continues to see strong demand due primarily to energy-related projects.

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The Water Transmission Group's sales increased \$1.7 million, or 4.2%, in the third quarter and decreased \$25.0 million, or 18.7%, in the first nine months of 2010, compared to similar periods in 2009. Water pipe sales improved in the third quarter of 2010 due to several large projects in Northern California. The year-to-date sales decrease was partly due to weaker cyclical demand for water pipe in the western U.S. and largely due to lower wind tower sales. As of August 29, 2010, the wind tower backlog declined to \$1.8 million, from \$11.5 million at the end of the third quarter, due to production and the lack of new orders. Until the wind energy markets improve and more financing becomes available to the wind industry, the Group's wind tower activity is expected to remain depressed. As a result, Management performed an analysis as of August 29, 2010 of certain wind tower assets. Based on internal and third-party forecasts, the estimated future undiscounted cash flows of the wind tower facility exceed the carrying value of the related long-lived assets. However, if market conditions do not improve as expected, this could indicate a potential impairment of the Company's long-lived assets used for the production of wind towers. Near term, the water pipe business is also expected to continue to experience soft market demand. The timing of bid activity has been negatively affected by the economy, municipal budgets and availability of financing. The Company continues to monitor a number of major wind tower and pipe projects; however, it remains uncertain when owners, water agencies and municipalities will proceed with these projects.

Infrastructure Products' sales decreased \$2.2 million, or 6.2%, in the third quarter and \$15.7 million, or 14.6%, in the first nine months of 2010, compared to the similar periods in 2009. Both the Hawaii Division and the Pole Products Division had lower sales in both periods. The Hawaii Division continued to experience lower demand for aggregates and ready-mix on both Oahu and Maui as construction spending remained weak due to the recessionary economy. Military and governmental spending provided a stable base of business, while all other sectors declined. The Pole Products Division remained impacted by the decline in U.S. housing markets and reduced demand for concrete lighting poles for new construction and steel traffic poles. The Infrastructure Products Group is expected to continue to be affected by the slowdown in construction spending in Hawaii and the low level of residential construction spending throughout the U.S. Demand for Pole Products Division's decorative concrete poles for residential lighting applications appears to have stabilized. However, significant recoveries of the residential construction markets and the Infrastructure Products Group are not expected in the short term.

Gross Profit

Gross profit in the third quarter of 2010 was \$32.6 million, or 24.3% of sales, compared to \$35.6 million, or 27.1% of sales, in the third quarter of 2009. Year-to-date gross profit in 2010 was \$97.4 million, or 25.7% of sales, compared to \$107.1 million, or 26.1% of sales, in 2009. Gross profit in 2010 decreased \$3.0 million in the third quarter primarily due to lower margins, and decreased \$9.7 million in the first nine months due largely to lower sales. Third quarter 2010 profit margins were impacted by higher raw material costs and lower-margin projects in the Fiberglass-Composite Pipe Group and increases in last-in, first-out ("LIFO") inventory reserves related to steel used by the Water Transmission Group.

Fiberglass-Composite Pipe Group's gross profit decreased \$2.9 million in the third quarter of 2010, compared to the similar period in 2009, due to higher raw material costs and lower-margin projects. Gross profit increased \$.5 million in the first nine months of 2010 compared to the similar period in 2009, due primarily to higher sales. Profit margins were 34.4% in the third quarter and 38.1% in the first nine months of 2010, compared to 41.5% in the third quarter and 40.2% in the first nine months of 2009. Margins were lower in the third quarter and the first nine months of 2010 due to change in project mix and completion of higher-margin projects in Asia, greater lower-margin sales in Brazil and higher raw material costs.

Water Transmission Group's gross profit increased \$1.1 million in the third quarter compared to the similar period in 2009, due to lower raw material costs and higher plant utilization. Gross profit decreased \$3.8 million in the first nine months of 2010, compared to the similar period in 2009, due to decreased sales. Profit margins were 16.1% in the

third quarter and 12.8% in the first nine months of 2010, compared to 14.1% in the third quarter and 13.2% in the first nine months of 2009.

Gross profit in the Infrastructure Products Group increased \$1.2 million in the third quarter and decreased \$3.1 million in the first nine months of 2010, compared to the similar periods in 2009. Gross profit margins were 22.0% in the third quarter and 18.6% in the first nine months of 2010, compared to 17.1% in the third quarter and 18.7% in the first nine months of 2009. Margins were higher in the third quarter of 2010, compared to 2009, due to improved plant utilization and certain higher-margin projects completed in 2010. Margins were lower in the first nine months of 2010, compared to 2009, due to lower sales.

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Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses totaled \$24.1 million, or 18.0% of sales, in the third quarter of 2010, compared to \$25.6 million, or 19.5% of sales, in the third quarter of 2009. In the nine months ended August 29, 2010, SG&A expenses totaled \$75.5 million, or 19.9% of sales, compared to \$77.9 million, or 19.0% of sales, in the same period in 2009. The \$1.5 million decrease in the third quarter of 2010 was due to lower legal and professional fees of \$2.0 million, lower compensation expense of \$.8 million, lower insurance costs of \$.6 million, partially offset by higher pension expense of \$1.5 million, higher expenses of international operations related to foreign exchange rates of \$.3 million and higher other expense of \$.1 million. The \$2.4 million decrease in the first nine months of 2010 was due to lower legal and professional fees of \$4.9 million, lower insurance costs of \$1.7 million, lower compensation expense of \$.8 million and lower other expense of \$1.7 million offset by higher pension expense of \$3.2 million, higher expenses of international operations related to foreign exchange rates of \$1.7 million, higher depreciation expense of \$1.0 million and higher severance of \$.8 million.

Other Income, Net

Other income totaled \$2.1 million in the third quarter of 2010, an increase of \$1.7 million from the third quarter of 2009. Other income was \$3.6 million in the nine months ended August 29, 2010, an increase of \$.3 million from the similar period of 2009. The increase of the third quarter of 2010 was primarily due to higher income of \$1.9 million from an affiliate, and the increase in the first nine months of 2010 was due primarily to foreign currency transactions and miscellaneous income.

Interest Expense, Net

Net interest expense was \$.2 million in the third quarter of 2010, compared to \$.4 million in the third quarter of 2009. Net interest expense was \$.7 million in the nine months ended August 29, 2010 and August 30, 2009. The decrease in the third quarter of 2010 was primarily due to lower average borrowings.

Provision for Income Taxes

Income taxes decreased to \$1.3 million in the third quarter of 2010, from \$3.8 million in the same period of 2009. Income taxes decreased to \$4.0 million in the first nine months of 2010, from \$8.4 million in the comparable period in 2009. The effective tax rate decreased to 16.1% in the first nine months of 2010, down from 26.4% in the first nine months of 2009. The effective rate in 2010 was reduced by tax benefits recorded in the third quarter of 2010, including a \$.6 million decrease in the valuation allowance for deferred assets related to delayed bonuses and restricted stock and a \$.4 million decrease in current taxes payable related to the same matter. These decreases represented corrections of amounts recorded in the fourth quarter of 2009. The effective rate in 2009 was reduced by tax benefits of \$1.5 million recorded in the third quarter of 2009, of which \$1.2 million was associated with an adjustment to a deferred tax liability related to earnings and profits from the Company's New Zealand subsidiary and \$.3 million was related to a decrease in the valuation allowance related to net operating losses of the Company's subsidiary in the Netherlands. The \$1.2 million represented a correction of an amount recorded in prior period financial statements. Management believes these corrections to be immaterial to prior interim and annual financial statements. The effective tax rates for the first nine months of 2010 and 2009 were based on forecasted full-year earnings and the anticipated mix of domestic and foreign earnings and the above discrete items. Income from certain foreign operations and joint ventures is taxed at rates that are lower than the U.S. statutory tax rates. The effective tax rates for interim periods are not necessarily indicative of the tax rates for the full years.

Equity in Loss of Affiliate, Net of Taxes

Equity in loss of affiliate, which consists of the Company's share of the net loss of TAMCO, totaled \$.2 million in the third quarter of 2010, compared to \$.3 million in the similar period of 2009. For the first nine months of 2010, the Company's equity in TAMCO's loss totaled \$1.4 million, compared to \$4.2 million in 2009. Equity earnings are shown net of income taxes. Equity in losses of TAMCO was taxed at an effective rate of 7.8% and 9.6% in 2010 and 2009, respectively, reflecting the dividend exclusion provided to the Company under current tax laws. TAMCO's losses were due to the collapse of infrastructure spending for steel rebar in California, Arizona and Nevada which began in late 2008. Given the low level of demand, TAMCO is expected to continue to operate its plant intermittently to maximize liquidity and minimize losses.

On September 15, 2010, the Company announced an agreement to sell its ownership in TAMCO to Gerdau Ameristeel US Inc. The sale is subject to customary closing conditions, including review under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

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ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

No material changes have occurred in the quantitative and qualitative market risk disclosure as presented in the Company's 2009 Annual Report.

ITEM 4 – CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. Management established disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the officers who certify the Company's financial reports and to other members of senior Management and the Board of Directors.

The Company carried out an evaluation, under the supervision and with the participation of the Company's Management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of August 29, 2010 pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 ("Exchange Act")) are effective. "Disclosure controls and procedures" are the controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports filed or submitted by it under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. "Disclosure controls and procedures" include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in its Exchange Act reports is accumulated and communicated to the issuer's Management, including its principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

There was no change in the Company's internal control over financial reporting that occurred during the fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

All statements and assumptions contained in this Quarterly Report on Form 10-Q and in any documents attached or incorporated by reference that do not directly and exclusively relate to historical facts constitute "forward-looking statements" within the meaning of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements represent current expectations and beliefs of the Company, and no assurance can be given that the results described in such statements will be achieved.

Forward-looking information contained in these statements include, among other things, statements with respect to the Company's financial condition, results of operations, cash flows, business strategies, operating efficiencies or synergies, competitive positions, growth opportunities, plans and objectives of Management, and other matters. Such statements are subject to numerous assumptions, risks, uncertainties and other factors, many of which are outside of the Company's control, which could cause actual results to differ materially from the results described in such statements. These factors include without limitation those listed under Item 1A, Risk Factors, in the Company's 2009 Annual Report on Form 10-K.

Forward-looking statements in this Quarterly Report on Form 10-Q speak only as of the date of this Quarterly Report, and forward-looking statements in documents attached or incorporated by reference speak only as to the date of those

documents. The Company does not undertake any obligation to update or release any revisions to any forward-looking statement or to report any events or circumstances after the date of this Quarterly Report or to reflect the occurrence of unanticipated events, except as required by law.

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PART II – OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

Legal proceedings are discussed in Note (11) of the Notes to Consolidated Financial Statements, under Part I, Item 1, which is incorporated herein by reference.

ITEM 6 – EXHIBITS

The following exhibits are filed with this Quarterly Report on Form 10-Q:

EXHIBIT NO. DESCRIPTION OF EXHIBIT

- | | |
|------|--|
| 3.2 | Bylaws of Ameron International Corporation, amended and restated effective August 4, 2010 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on 8-K filed August 10, 2010). |
| 10.1 | Amended and Restated 2004 Stock Incentive Plan dated June 23, 2010 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on 8-K filed June 25, 2010).* |
| 10.2 | Stock Ownership Requirements and Retention Policy (incorporated by reference to Exhibit 10.2 to the Company's Current Report on 8-K filed June 25, 2010).* |
| 10.3 | Change of Control Agreement between Ameron International Corporation and Leonard J. McGill, effective June 23, 2010 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on 8-K filed June 25, 2010).* |
| 10.4 | Stock Purchase Agreement dated September 14, 2010 among Ameron International Corporation, Mitsui & Co. (U.S.A.), Inc., Tokyo Steel Manufacturing Co., Ltd. and Gerdau Ameristeel US Inc. relating to the sale of TAMCO (incorporated by reference to Exhibit 10.1 to the Company's Current Report on 8-K filed September 16, 2010). |
| 31.1 | Section 302 Certification of Chief Executive Officer |
| 31.2 | Section 302 Certification of Chief Financial Officer |
| 32 | Section 906 Certification of Chief Executive Officer and Chief Financial Officer |
| 101 | The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended August 29, 2010 formatted in Extensible Business Reporting Language ("XBRL"): (i) the Consolidated Statements of Income, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Cash Flows and (iv) the Notes to Consolidated Financial Statements. |

* Compensatory plan or arrangement

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Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERON INTERNATIONAL CORPORATION

By: /s/ Gary Wagner
Gary Wagner, Senior Vice President-Chief Financial Officer

Date: September 27, 2010