

DOTSON DIFFERENCE

becoming the world's most automated jobbing foundry

**Dotson
IRON
CASTINGS**

WORKING HARD TO REDUCE COSTS

September 24, 2010



My Voice

Jodi Lumsden
Controller

One of the reasons I am at Dotson today is that during an interview the company allowed me to not only talk to the management team, but they opened their books (income statement, balance sheet and cash flow statement) to me. I had been an accountant for 10 years but it took me less than 10 minutes to review Dotson financial statements and know that Dotson was a well managed business and would be around a long time.

I have learned more the past three years at Dotson and now know that we live and breathe our commitment to taking a conservative, long term approach to the future health and security of the company and its employees. One great example of this future vision is the dollars invested back into the business through capital. These investments are planned to allow a reduction to our breakeven point and increased flexibility. In the past seven years Dotson has put back 7% of sales dollars into the business compared to an industry average of under 2%. In 2009 the capital investment was in people when we chose not to have any major layoffs and focus our efforts on employee development. In 2010 we will once again invest 7% of our sales back in the business with the addition of our machining operation and other equipment purchases. With a .36 debt to equity ratio, the great thing is we are not jeopardizing the future health of our organization by taking on debt or having to bank on future sales growth.

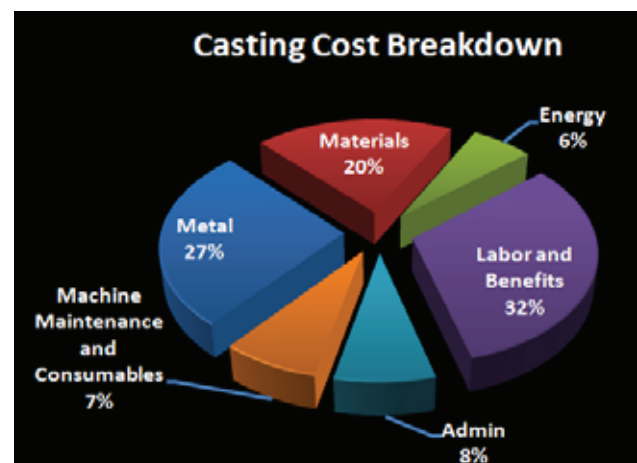
Bio: Jodi Lumsden

Jodi Lumsden is Dotson's Controller. She has been with Dotson three years. Jodi is a graduate of Concordia College, Moorhead, Minnesota. She is responsible for Dotson's Accounting, Customer Service, Purchasing, Shipping and Receiving, Insurance and Banking relationships. Jodi comes to Dotson with 10 years of manufacturing experience. The majority of the 10 years was spent working at USP Structural Connectors. A division of Gibraltar Industries that manufactures steel structural devices such as anchors and fasteners. The foundry industry is not new to Jodi as her father has been in the foundry industry for 35 plus years.

Casting Costs

Looking at Ways to Reduce Waste

Dotson's casting cost breakdown can be seen in the corresponding pie chart. What is readily apparent when reviewing the chart is that close to 50% of our casting costs (metal, materials and energy) cannot be influenced by Dotson. So we work diligently to manage the cost that we can influence. As a lean organization, we are continuously looking at the eight waste areas, Kaizen events, Gemba visits, improvements and equipment purchases. Leadership and employee resolve in these areas have allowed Dotson to remain profitable even in years like 2009. The 2009 year is a great example. We immediately started cost saving meetings with employees on all shifts. Well over a 100 ideas were compiled and worked on throughout the first six months. This along with reduced working hours allowed Dotson to break even with sales dropping more than 40%. This flexibility and quickness is something we strive for in all areas of our organization.



Medical Coverage, Cost Increasing

Medical Care, Priceless

John Hatcher is living proof that medical care can save a life ñ his! In March John was admitted for surgery to replace his aortic valve with a mechanical valve and the aorta with a synthetic one.

Everything went well. But as he was driving home from his release-to-work appointment, John had a blood vessel break. Fortunately, he was minutes from the hospital, and just fifteen minutes from the operating room. John is now back at work as a pattern maker and is feeling great. It is hard to put a price on medical care that works. It is expensive. After several years of just under 10% increases, next year our costs are projected to go up by 28%. Health care cost is now 4% of Dotson's casting price and showing no sign of coming down. With the added requirements of the Health Care Reform bill passed in March, it is unclear just how high insuring employees could go.



Commodities

Pricey Precious Metals

Copper is an important alloy in our manufacturing process. We purchase about 16,000 pounds every month. Copper like ferro-mag and our other alloys have very quickly rebounded from their lowest price in 2009. Not to the 2008 highs, but they are all holding steady just below that level. Dotson, as a small manufacturer, has no impact on commodity pricing. We purchase it at market price when we need it. The changes in price (up and down) are passed through to our customers as a monthly surcharge. Dotson continues to manage the business in a way that ensures survival in the global market place. This means that we are always reviewing and negotiating where we can on commodity purchases, but recognize that we have to focus our efforts in areas where we will have an effect.



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