

ACORN ENERGY  
“First Quarter 2010 Results Conference Call”

May 14, 2010, 9:00 AM ET

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OPERATOR: Good morning, everyone, and welcome to the Acorn Energy first quarter 2010 results conference call. All participants will be in listen-only mode. Should you need assistance, please signal an operator by pressing star, then zero on your touchtone phone. After today’s presentation, there will be an opportunity to ask questions. Please note that this event is being recorded.

Please take note that certain of the matters discussed in this presentation contain statements that are forward looking, such as statements relating to results of operations, financial condition, business development activities, and market dynamics. Such forward-looking information involves important risks and uncertainties that could significantly alter the anticipated results in the future, and, accordingly, such results may differ materially from those expressed in any forward-looking statements made on behalf of Acorn Energy or its subsidiaries.

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I now would like to turn the presentation over to John Moore, CEO and Chairman of Acorn Energy.

JOHN MOORE: Thank you, and welcome to the Acorn Energy Q1 2010 earnings call. We are reporting that the results were in line with expectations and confirming that our revenue for the group will be up overall by over 50 percent to over \$48 million for the fiscal year 2010. Revenues, however, were down 7 percent in the quarter, but gross margin was up overall for the group by 10 percent.

So what happened? First let’s discuss our two stars, CoaLogix and DSIT. At CoaLogix, revenue was down 17 percent to \$4.5 million versus \$5.4 million for the Q1 of 2009, but our total modules processed was up by over 30 percent. Gross profit was up by 4 percent

to \$1,932,000 from \$1,855,000, and gross margins were up to 43 percent versus 34 percent in Q1 2009. Operating income was \$25,000, and our backlog was \$7.1 million.

I want to just take a moment to discuss the somewhat confusing issue of revenue recognition. CoaLogix cannot recognize revenue until certain testing has been completed. While our number of catalyst modules processed was up by 30 percent, our revenue was down by 17 percent. This is partially due to unfavorable comparison with Q1 2009 that benefited from revenue generated in Q4 2008 but recognized in Q1 2009 and revenue generated in Q1 2010 that will be deferred until Q2 2010. The issue, at the end of the day, comes down to backlog that has been developed, that is now being resolved with our testing and scheduling.

Important milestones have been achieved, and everything starts with great people. We made some exciting additions, including Lee Zhang as Chief Technology Officer of CoaLogix; Dr. Brian Adair [phonetic], a new Catalyst Technology Manager; and Joan Allmendinger as Head of Human Relations.

We regenerated the first layers of catalyst ever for two of the largest operators of SCRs, further expanding the industry acceptance in the benefits of regenerating catalysts and our leadership in the market that we created.

The construction of our second plant is on schedule to begin production in the third quarter, and our China expansion continues to be a priority. We entered into an exclusive marketing agreement with a €3.5 billion market cap leader in [unintelligible] materials handling, FLSmidth, to expand our offering to our customers as solutions for SO<sub>3</sub> and mercury. Interestingly, only 5 percent of U.S. coal-fired power plants have an SO<sub>3</sub> solution. We think as regulations continue to tighten pollutants, that a significant market will develop. Lastly, we settled the EES lawsuit to the mutual satisfaction of the parties.

DSIT is the world leader in underwater security, and they're working to expand on their early lead in this market category. The company was firing all cylinders this quarter, and it looks like it will be a great year. Revenues were up 26 percent to \$2.6 million versus \$2.1 million for Q1 2009. Gross profit was up 54 percent to \$1.2 million versus \$800,000. Gross margins were up — were 45 percent versus 37 percent. Operating income was half a million dollars — was up 164 percent versus \$200,000 for the previous year's quarter. EBITDA of \$549,000 is a 361 percent increase over Q1 2009 of \$100,000, and projects backlog of \$7.5 million is steady versus last quarter's \$7.6 million at December 31, 2009. DSIT hired some great people and expanded its staff in both engineering and production. We still only have one star salesman in our naval business, but we're looking to expand to at least one more, and we have a great salesman in the projects as well there. We commercialized Point Shield, which is a new product that expands our product line, and we also performed our first successful demonstration of our Diver Detection Systems at a U.S. nuclear facility.

Now, Coreworx was this and will be next quarter's challenge. I want to acknowledge the challenges that we're facing at Coreworx, but also highlight some of the exciting things that are going on that will make the third and fourth quarters a big success for this business. Our revenue for the quarter was \$770,000 down from \$1,027,000. Gross profit was \$594,000 down from \$775,000. Gross margin, however, increased to 77 percent from 74 percent in Q1 of 2009, and our operating loss was \$2.2 million versus \$760,000 in the comparable quarter. EBITDA was a negative \$2.1 million versus \$722,000.

First, let's take a moment to revisit what we really do at Acorn to create shareholder value and how this relates to Coreworx. We create categories, new industries that solve the biggest challenges facing the energy industry. Any investor in the energy business knows the biggest challenge the industry faces is bringing major capital projects in on

time and on budget. We think that this directly relates to the construction management and the business processes that are used to build these projects that the legacy systems just cannot scale.

We only invest in businesses that we believe can become \$100 million-plus annual revenue generators. We believe that the market we're creating for construction management software will ultimately be a \$2 billion-plus market. We derisk the opportunities by only investing after the technology's been proven and the company has proven reference customers. Coreworx is used by eight major customers who use our software to manage over one billion documents annually. The challenge, however, is how to cross the chasm from the early adopters like Florida that understand and have the resources to solve their construction management problems to the early majority that buy products and not technology.

I believe that in the first quarter, Coreworx has made some important milestones that will be critical to our success. First of all, you can't sell the early majority unless you have salespeople. Coreworx has invested in strong expansion in marketing and sales and is developing four new products, whose revenues should impact the second half of the year. These products, it should be noted, were developed in conjunction with our customers, and we believe are the first products of its type in the market. It's difficult to predict at this stage the likelihood of closing new business as well as customer rollout.

The company's introducing new productivity enhancing software solutions to customers that, despite having responsibilities for billion-dollar construction projects, have often never bought software more sophisticated than an Excel spreadsheet. We believe that the construction management business is dissatisfied with their current business systems. Their perception is there's about to be a major upturn in infrastructure construction. We believe the current lull before the storm is a perfect time for them to update their business processes. The challenge is predicting customer adoption and sales on a quarterly basis. To create the category, it's imperative to have the sales and service infrastructure in place before the market takes off and inevitably realize losses in the process. Coreworx has tripled the size of its sales force, and we have made important investments in developing the South American, Australia-Asia, and nuclear power plant markets.

So you can't sell the early majority unless you have products that solve their immediate problems, and the acquisition of Decision Dynamics adds to our offering in a very tangible benefit of cost management, and that's really first and foremost with a lot of these customers, is that the allocation and management of labor costs is the biggest problem plaguing construction management, and we believe we have the industry-leading solution in that area. So we believe the rewards and profit margin growth from scaling the business should be well worth the investments.

So the other thing is there's huge opportunities for cross selling. Decision Dynamics has 66 customers, none of which use document management solutions like Coreworx, so we believe we can sell to all those customers, and we believe that a lot of our customers will also want their product. So we believe that these products that we're developing are — you know, they've been developed in close collaboration with our largest customers. Coreworx is writing several additional product introductions for the balance of the year, including solutions that have never been available in the major capital software market.

So another major introduction will be — a major introduction that we've done is we've invested heavily over the last six months in the — our hosted application. So our introduction of hosted products in the second quarter should mean we can access the early majority, including the 18,000 contractors and suppliers that input information into Florida's Coerworx solution. The hosted product means that for the price of \$10,000 to \$20,000 per month, the customer can access Coreworx without any investment in IT

infrastructure, so we're enthusiastic about Coreworx's prospects in the third and fourth quarter.

The next thing I'd like to discuss is why was selling general administrative costs up? SG&A increased \$2.2 million in the first quarter. CoaLogix's SG&A increased \$600,000, reflecting increased overhead costs and a provision for the EES settlement. Coreworx SG&A increased \$900,000 due to increased marketing and selling costs, as well as expenses incurred in respect to the acquisition of Decision Dynamics. DSIT's SG&A increased \$200,000 as a result of salary increases. Corporate SG&A increased \$500,000 due to \$300,000 of bonus payments and increased administrative costs. We added Dave Beatson as Chief Technology Officer and Clara Delvillar as Vice President of Marketing to help increase our exposure in the media and with family offices and certain institutional investors to supplement our work with Cameron & Associates.

So this really completes my prepared remarks, and I'd like to turn the call over to — for questions.

OPERATOR: All right. Thank you. At this time, if you would like to ask a question, you may do so by pressing star, then 1 on your touchtone phone. Press star, then 2 to remove your name from the list. Once again, pressing star, then 1 will allow you to ask a question. Star, then 2 withdraws a question.

And the first question comes today from Jim McIlree from Merriman.

JOHN MOORE: Welcome, Jim.

JIM MCILREE: Hey, John, good morning. How are you? Can you give me an idea about how much of the CoaLogix revenue was pushed from Q1 into Q2?

JOHN MOORE: I'll hand that question over to Michael Barth.

MICHAEL BARTH: Actually, if Bill's on the line, he probably might be better suited to answer that. I don't have the detail of what the deferral is. I might be able to get it, but I don't have it at my fingertips.

BILL MCMAHON: Yeah, we don't give out that kind of information. Hi, Jim, how you doing? This is Bill.

JIM MCILREE: Yeah.

BILL MCMAHON: You know, we haven't been providing that kind of information, Jim, and, you know, in any one quarter, you know, we can have, you know, significant swings in revenue just because of revenue recognition, so it's almost — I mean, with the size of the company and the size of each individual project, it's almost unfair to try to do this by quarter. So, you know, I'm sorry I can't give you any more help with that.

JIM MCILREE: That's okay. What I was really trying to get at is doesn't it seem like this is going to be — and I don't want to characterize it as a problem, but it's a recurring issue that's going to take place. There's always going to be some modules that don't get recognized for revenue in a specific quarter, and so one quarter will pick up a little bit, and the other quarter won't, so —

BILL MCMAHON: That will always be the issue with this company, Jim. You know, when we get big enough where, you know, a \$ 1-million swing or a \$2-million dollar swing from quarter to quarter doesn't matter so much, you know, it may be less material, but it will always be an issue. I don't really look at it as an issue, because I don't manage the company from quarter to quarter. I manage it for long-term growth.

JIM MCILREE: And I think, John, you said that the modules processed were up 30 percent year over year. Were the modules processed in Q1 greater than the modules processed in Q4?

JOHN MOORE: I don't have that right in front of me here.

JIM MCILREE: Okay.

JOHN MOORE: But I'm — I feel sure that they were.

JIM MCILREE: Great. I'm going to assume that the capex during the quarter, the — I'm sorry — I just lost it — the \$2 million or so in capex for the quarter was mainly related to the CoaLogix new plant. Is that correct?

JOHN MOORE: Yes.

JIM MCILREE: Okay, and then I'm also assuming that there is a like amount of dollars to be spent in Q2. Is that close enough?

JOHN MOORE: Yeah, I mean, you know, I think we disclosed last year — well, in April, that we were — you know, we had raised \$11.5 million, and a significant amount of that was going to the new plant. And, you know, right now, equipment is actually being installed, and piping is being done and all the rest, so payments are actually being made now.

JIM MCILREE: Okay, great.

JOHN MOORE: So, yeah, that's the storm before the calm.

JIM MCILREE: Great. John, you made a statement earlier that I just missed, and I apologize. You said something about only X percent of the power plants in the — either the U.S. or the world have mercury remediation solutions. Can you just —

JOHN MOORE: Yeah, the —

JIM MCILREE: — go over that again, please.

JOHN MOORE: Yeah, the number I was quoting was that only 5 percent of U.S. coal-fired power plants have an SO3 remediation solution, and, Bill, I don't know whether you want to give any additional color, but we believe that pollution laws are going to continue to tighten on coal-fired power plants, and we think that there are — will be mercury — federal mercury laws and federal SO3 remediation laws, but, you know, Bill has set up a very low-cost, low-risk solution for us, but high quality, with the strategic partnership with FLSmidth.

BILL MCMAHON: Well, we don't see any — sorry to disagree with you a little bit here, John, but we don't see any regulations on the horizon for SO3. SO3 is really regulated through opacity, and what's happening is as customers are using — as the customers are installing more and more FGD, flue-gas desulfurization systems that reduce SO2, they're buying less expensive coals. Those less expensive coals have higher sulfur, but that's okay, because they put in the FGD systems to take them out. Well, what happens is the SO2 gets converted to SO3 in the boiler and SCR and, therefore, creates a new category of — or an increased amount of SO3 that is not picked up in the FGD system; therefore, it creates opacity problems for our customers, and that is the issue that we're really trying to address with FLSmidth. And that's what John was talking about, that only 5 percent — and there's no real numbers, but it's about 5 percent have SO3 mitigation systems. I hope that helps.

JOHN MOORE: And the pending legislation that I was talking about was sort of the climate games that are going on between Carper and Alexander, you know, issuing their — you know, trying to get 3P legislation through, which would regulate pollutants like mercury and SO<sub>3</sub>, which has sort of been eclipsed by the Kerry-Lieberman Climate Bill, so it's sort of difficult to predict, you know, what specifically is going to be put through in any legislation, but the general direction is tighter and tighter controls over pollution control.

JIM MCILREE: Yeah, agreed. And just one more, and then I'll stop hogging the call. The — can you just update me on the Coreworx sales force pre-Decision Dynamics, post-Decision Dynamics, and then what the combined entity goes to, let's call it by year end, just the sales force? I think that you highlighted the increase of the sales channel as an important aspect of, you know, of that business' success.

JOHN MOORE: Yes, very important, so a year ago in the quarter, we only had two salespeople, and since then, Coreworx has added a salesperson for Latin America, one salesperson in Houston, and one person — salesperson in Australia-Asia, and then we've added three salespeople to the acquisition of Decision Dynamics. And, interestingly, even though Decision Dynamics has a — really, an industry-leading solution for cost control for labor and for other costs, they don't have any sales in the United States, so we think that we can bring their products to our customers, and they think that they can bring their products to our customers.

JIM MCILREE: And would you — are you contemplating adding more sales force — more salespeople to the combined Coreworx DDY team?

JOHN MOORE: Yes, we're looking to add at least one other person in the Houston market to sell the Coreworx solution. I should also add we added a salesperson specifically for the nuclear opportunity, and the CEO of Decision Dynamics became the sales manager for the company.

JIM MCILREE: Great.

JOHN MOORE: So we have a — we're really loaded for bear as far as getting out there in the marketplace, and we've made a big bet on the nuclear renaissance, and there's about eight power plants that are currently, you know, in line for these nuclear loan guarantees and that are — are in process of construction and making decisions around software, so we think that the third and the fourth quarter we're going to have some big announcements, but that's obviously a forward-looking statement.

JIM MCILREE: Right. Okay. Very good. Thanks a lot.

JOHN MOORE: Thank you very much, Jim.

JIM MCILREE: And good luck.

JOHN MOORE: Thank you.

OPERATOR: Thank you, and the next question comes from Graham Mattison from Lazard Capital.

GRAHAM MATTISON: Hi, good morning, guys.

JOHN MOORE: Welcome, welcome, Graham.

GRAHAM  
MATTISON: I'm wondering if you could just update on CoaLogix and just give us your outlook on the China market and just give us a sense of timing in terms of when that could really contribute.

JOHN MOORE: Well, I'd like to hand that over to Bill.

BILL MCMAHON: Hi, Graham — Bill McMahon.

GRAHAM  
MATTISON: How are you?

BILL MCMAHON: Good, thank you. The market in China for NOCs is really close to where the FGD market was in probably 2003. All the regulations are not in place yet, and, as you know, regeneration lags the installation of SCRs by, you know, a couple, three years as they deactivate. So we think we're in a very good time right now to be looking at, you know, the regulations and size of market and that sort of thing and look for the proper partners. But at this time, we really don't have any — anything to disclose on where we are or when we'll be making any kind of move in China.

GRAHAM  
MATTISON: All right, but definitely it's more the directional trend is what you're looking for?

BILL MCMAHON: Yeah, it's — and we think it's definitely there, and the amount of attention going to it is huge, and the preliminary regulations are very positive for us. We're just waiting for the last couple of regulations, and if those go into place, the market could be the same size or larger than the U.S. in the next three years.

GRAHAM  
MATTISON: Wow. All right, great. And then just turning to Coreworx, John, have you seen a — given, you know, that a lot of the guarantees that have come out as well as the sort of positive press for the nuclear industry in the Kerry-Lieberman bill, have you seen an uptick in inquiries for Coreworx capabilities?

JOHN MOORE: Absolutely. We hired Glen Williams, who has previously spent 26 years with Integraph's nuclear business, and...to launch our nuclear product, and about a year ago, we made a very important decision in something called ITAC, which is inspection, testing, acceptance, and control for — it's really a critical component of licensing of nuclear power plants. We think we anticipated that ahead of anybody else in the industry. We think we only have — we have the only solution for this, and so basically we've had discussions with every nuclear power plant owner and companies that are currently considering construction. So that's why we're so enthusiastic about our position, but, as you know, Graham, in the nuclear power business, you know, if the energy business is slow, the nuclear power business is even slower, so we think we're at the right place at the right time, but — and we think we have the right product at the right time, but time will tell.

GRAHAM  
MATTISON: Okay, and then any potential to add beyond the additional eight partners, and are you in discussions with other players?

JOHN MOORE: The eight partners in the nuclear space?

GRAHAM  
MATTISON: Right, on the Coreworx, you have the eight early adopters.

JOHN MOORE: Yes, and particularly what — Decision Dynamics is really important, because what they do is they do real-time cost controls, and that's really important in nuclear outages, which, as you know, every nuclear power plant has an outage about every 18 months, and so — and while that power plant's down, it costs about a million dollars a day, so it's really important for the owner/operator to know, real time, what's the status of that refueling process. So it's refueling and uprating. So we think we've got a product that is — with Decision Dynamics that's even more broadly applicable throughout the entire U.S. fleet of over 104 nukes and, of course, has international implications as well.

GRAHAM  
MATTISON: All right, great. I'll jump back in the queue. Thank you very much.

JOHN MOORE: Thank you very much, Graham.

OPERATOR: Thank you. The next question comes from Bob Dziezic, a private investor.

JOHN MOORE: Bob Dziezic, welcome.

BOB DZIEZIEC: Good morning, John. How are you?

JOHN MOORE: Great.

BOB DZIEZIEC: John, question. There has been much discussion about shareholder dilution with the acquisitions and the compensations. Can you please comment on how many shares have been issued so far and when can we expect the newly-issued shares to be accretive towards earnings?

JOHN MOORE: Absolutely. Thank you, Bob. So first of all, I'll — I'd like to start off the conversation by reminding everybody that in 2008 and 2009 when the price of our stock got hit very hard, we purchased approximately 400,000 shares in the market around an average price of \$2.40. So, you know, one thing we're very cognizant and aware of, you know, particularly myself, being the second largest shareholder in the company, is that, you know, what we think we have as far as our shares are extremely valuable, so the only thing we're willing to do with those shares is give them up for something we think is even more valuable. So, you know, first of all, we issued 2.2 million shares in the Merriman capital raise, and that was important, you know, mostly because, you know, what we do is we buy companies and we accelerate the sales and marketing of those companies, so you need cash to be able to do that, and cash is definitely king in this environment. So we issued 2.2 million shares in the Merriman transaction.

The Decision Dynamics acquisition, we issued a million shares of our stock. I'll just pause for a second and describe why we thought Decision Dynamics was so important. Number one is, is that they were — even though they had what we believe is by far the best product in the marketplace at a major pain point in the industry, they were really being stymied from selling because they were such a small company, and they needed to be part of something larger. They were actually losing sales, because people would say, "You've got the best solution, but I can't buy from a company that does \$3.2 million in revenue." Second of all, you know, we think that we really got a strong value in this acquisition, not only, and maybe most importantly, through the quality of the people that were involved with Decision Dynamics and the customers that we acquired, but also the fact that, you know, for about a million shares, which is — you know, today's price is around \$5.5 million, we bought \$3.2 million worth of revenue, which half of that is recurring revenue from hosted sales, and we acquired about a million dollars in cash, about half a million dollars in receivables, and so we just think that we got a smokin' deal with that company and a real shot in the arm, maybe the most valuable function that Coreworx is selling is these construction management guys' control over their costs.

And then lastly, the GridSense acquisition. In the GridSense acquisition, we issued 356,000 shares of stock and some cash — I think it was around a million-and-a-half dollars in cash, and with GridSense, you know, we're acquiring a company in GridSense that has for 30 years developed solutions for something called distribution automation. And the reason this is so important is, number one, we all know about the smart grid and how important the smart grid is, but there's two parts of the smart grid. There's the smart meter side of the smart grid, which is around managing the demand for electricity, but we believe, much more importantly is what GridSense does, which is the two-way sensors that enable utilities to manage the supply of electricity.

The reason the supply of electricity is in trouble right now is because not only the age of generation, but the age of the distribution system. The distribution system is where 80 percent of the commerce happens on the electric grid, and the age of the transformers, the age of the overhead lines are at end of life, and just like the, you know, suppliers like Boeing and Lockheed have realized that, you know, you can make a fortune extending the life of the U.S. military's trillion dollars of investment in capital equipment by basically, you know, making 50-year-old B52 bombers fly for the next 50 years, we believe that GridSense is poised to really grow very dramatically in helping utilities extend the life of their trillion dollars' worth of investment that they can't afford to replace.

And, you know, one of the things we mentioned in the acquisition press release is that GridSense is part of a project that the California Energy Commission and Southern California Edison — that is the largest distribution automation project to date. We also believe that GridSense has been selected as part of a couple of major Smart Grid Awards. With the Obama administration releasing \$3.2 billion — \$3.4 billion of — announcing \$3.4 billion of smart grid — of stimulus grants, we think that's going to really unleash a very large expansion in spending in distribution automation. Now, the irony of it is, is that — is that the stimulus program has been a dis-stimulus, because what's it's done is it's made every U.S. utility stop spending until that money gets released, and so far — as far as we know, to date, about \$16 million of the \$3.4 billion has been released, so once again, even though we gave up 356,000 shares in the GridSense transaction, we believe that what we got was a company which has really established a bedrock of 200 utility customers. It's the most proven solution for distribution automation, and recently a Southern company, Georgia Power engineer wrote an article in *Transmission & Distribution World* that said that the real — this was the quote— was, "The real-time information that's provided by the GridSense Line Tracker has the potential to revolutionize the power grid."

So we think that these are major — even though there is dilution, we think that there's a benefit that we're getting larger — that hopefully we'll have more liquidity in our stock, which will allow major institutions to invest in the company, so we think it's positive, and hopefully our shareholders realize that we're coming from the right place on this. So hopefully that answers your question, Bob.

BOB DZIEZIEC: Can I ask another question?

JOHN MOORE: Of course.

BOB DZIEZIEC: Is DSIT pretty much self-sustaining right now?

JOHN MOORE: Absolutely. I mean, that's — it's — you know, other than some performance guarantees, loan guarantees that we've provided, DSIT is profitable, growing, and generating cash.

BOB DZIEZIEC: That's good. How about the U.S. Sensor acquisition? Is that in the next quarter?

JOHN MOORE: So U.S. Sensor — you know, I'm a bit of a chicken the way I like to invest, so the way we did that was we invested \$200,000 initially. That funded a trial at the Department of Energy and with a major oil service company. We saw the results from those, and we decided to put another \$300,000 in, and we have basically options to put another \$500,000 in over the next several months, and then in August, we have an option to acquire basically \$2.1 million of value in shares, and that would increase our holdings to over 50 percent of the company. So, yeah, so I think that the second half of the year we'll — hopefully we'll see more encouraging signs of the opportunity at U.S. Sensor, but we — you know, we basically don't have to invest, but we certainly intend to invest the rest of that capital to expand the growth of that business, and we think that that business addresses one of the largest issues facing our society, which is extending the life and getting more out of the existing oil reservoirs. So any other questions, Bob?

BOB DZIEZIEC: John, thank you very much.

JOHN MOORE: Thank you, Bob.

BOB DZIEZIEC: Okay.

OPERATOR: Thank you, and the next question comes from Quinton Maynard of Morehead Capital.

JOHN MOORE: Hello, Quinton.

QUINTON MAYNARD: Hey, John, how you doing today?

JOHN MOORE: Great.

QUINTON MAYNARD: Hey, I've just got a few quick things for you. On the CoaLogix side, I heard what Bill was saying regarding not wanting to give specific numbers around revenue getting pushed, but I did want to just get some color, if you can give it to us, kind of how that year-over-year comparison works, because it looks like last year you guys saw Q1 look stronger because of revenue that was pushed out of the fourth quarter?

JOHN MOORE: That's correct. I think the actual number was like —

QUINTON MAYNARD: I wanted to kind of get a feeling for how does that compare to the revenue that was pushed into the second quarter this year.

JOHN MOORE: I probably can't give you that information as far as how much revenue was pushed from the first quarter of this year to the second quarter, but I can tell you that my recollection was the number was like \$680,000 was pushed from Q4 of 2008 into Q1 of 2009.

QUINTON MAYNARD: All right, one other question. You know, you guys have talked about the number of modules that were done this quarter. Can you give us a little flavor for what catalyst pricing looks like right now?

JOHN MOORE: That's a Bill McMahon question.

QUINTON MAYNARD: Okay.

BILL MCMAHON: Are you talking about new catalyst pricing?

QUINTON  
MAYNARD: Yes.

BILL MCMAHON: New catalyst pricing is probably in the \$5,000 to \$6,000 per cubic meter range.

QUINTON  
MAYNARD: Is that up from last year?

BILL MCMAHON: It's actually down a little bit. The — one of the things that's happened with the capital crunch, Quinton, is that the — there's not as much — not as many SCRs being built right now, so the market for new catalyst has kind of cooled off until those units start getting built again, and so, therefore, the demand is down, and pricing — pricing last year was pushing \$6,500 [unintelligible] \$7,000 in new last year, and it's down to, as I said, \$5,500 or so.

QUINTON  
MAYNARD: I gotcha. And as you look out on the horizon, then would the expectation be that as you see more SCR construction coming back, that you also see growth in pricing on new catalyst?

BILL MCMAHON: We think — and it's a crystal ball and — but, you know, we think it's going to level out probably to the \$5,500 and \$6,500 area. There's a lot of catalyst manufacturing being brought online in Mainland China right now, and, really, nothing is being expanded here in the U.S., or Europe for that matter. As a matter of fact, some of the — one of the European manufacturers actually moved their equipment to China.

QUINTON  
MAYNARD: Gotcha. Thank you so much for the color there. John, I'll get back to you — just one other question. When you talked about the SG&A build at Coreworx, one of the things you said was that this quarter had impact related to the acquisition of Decision Dynamics?

JOHN MOORE: Yes, that's correct.

QUINTON  
MAYNARD: Any chance you can just give us a little color on the run rate SG&A increase versus the stuff that was assignable to, you know, one-time stuff this quarter?

JOHN MOORE: Michael, do you want to take a stab at that?

MICHAEL BARTH: I don't have the detail. I mean, the run rate's probably going to continue to be relatively high, because, I mean, they have been ramping up with their sales and marketing staff, and, as you said, you know, are going to continue to grow, and we've picked up the staff from Decision Dynamics. I can't give you, you know, a number, but I can still see it being, you know, a big number.

JOHN MOORE: I think the — I think some ballpark numbers could be that, you know, the expenses related to the acquisition cost is probably around \$300,000. I know the expense line is around \$1.2 for the combined companies, and we've realized around \$500,000 to \$600,000 in savings from, you know, Decision Dynamics not being a publicly-traded company and consolidating of the financial reporting functions.

QUINTON  
MAYNARD: Perfect. That's really helpful, John. Thank you so much. All right, I'm going to hop off, guys.

JOHN MOORE: Thank you, Quinton.

QUINTON  
MAYNARD: Yeah.

OPERATOR: Thank you, and the next question comes from David Altschuler from Altschuler & Company.

JOHN MOORE: Hello, David.

DAVID  
ALTSCHULER: Yeah, hi, John, how you doing?

JOHN MOORE: Good, good.

DAVID  
ALTSCHULER: Good. I'm looking at your press release. It says, "We're confirming our guidance for 2010 revenues of at least \$48 million." Can you elaborate on what kind of upside surprises you might have in that? And, unfortunately, everybody's focus is really too much on the short term. What do you see for 2011, 2012, and lastly, what level of profitability are you looking at on that \$48 million?

JOHN MOORE: Boy, David, these are the big, big questions. So I think we feel comfortable with \$48 million, and with, you know, the — you know, we feel the most solid around CoaLogix and DSIT's performance. The big bet that we're making is Coreworx performance, and Coreworx has a product which, you know, is very scalable, because it's software, and — but, you know, they are creating a new category, so, you know, the bet for us is can Coreworx come in with, you know, combined revenues around \$8 million? And I'm betting they can, but, you know, just like Bill's business, you know, involves big chunks of business, so does Coreworx, with an average sale of around, you know, half a million to a million dollars, so I'm sticking to \$48 million. You know, there's — you know, the challenge is that this is such a year of building for us because of CoaLogix coming with a plant online in the third quarter, so, really, you know, there's — you know, they don't have a lot of time in 2010 to provide any real upside surprises. And DSIT, you know, continues to surprise me with their ability to be able to build this category really without very much capital — no capital from the parent company. And, you know, the growth opportunity is just, you know, that we're addressing these major pain points. We haven't given any guidance as far as 2011 or 2012, but needless to say, you know, our goal is to continue to grow the businesses at the pace that they've been growing.

DAVID  
ALTSCHULER: Okay. And what level of backlog would you need to consider a third plant for CoaLogix?

JOHN MOORE: I'll hand that one over to Bill McMahon.

BILL MCMAHON: Right now, we're worried about getting the second plant built out, and, you know, we're going to be doing that in phases, David. You know, we have three phases of the work here, so, really, we'll be able to take care of the next couple of years — next year and a half anyway, with the current two plants, and we expect to run both of them. A third plant, you know, we would start looking at probably six months, eight months down the road, once we have this plant up and running and get the bugs out of this one, but right

now we feel like the market is accelerating to the point — the market acceleration is — we can take care of with our existing two plants, and we know from — we know that we can put a third plant in in, you know, in less than a year.

DAVID

ALTSCHULER: Okay, and is there any substantial competition in this industry at this point?

BILL MCMAHON:

Well, there are three companies that have regeneration technology worldwide right now that are commercial and doing it. Two of them are us and the people that own the — that we bought the technology from in Germany. The third one is a company here in North Carolina that the president used to work for SCR-Tech and we're in litigation with right now on trade secrets. So those are the three worldwide right now.

DAVID

ALTSCHULER: Okay. Well, the trade secrets being your trade secrets or accusing him of some wrongdoing?

BILL MCMAHON:

We are alleging that that company and those people individually took trade secrets and confidential information to set up a regeneration business in competition with us.

DAVID

ALTSCHULER: I see, and do you have any other new products?

BILL MCMAHON:

And that — and, by the way, that's pretty well covered in the K — on the Q.

DAVID

ALTSCHULER: Okay. Do you have any other new products or new technologies you're working on that might enhance the market for your company?

BILL MCMAHON:

Well, yes. As John mentioned, our alliance with FLSmith addresses SO3 and mercury mitigation.

DAVID

ALTSCHULER: All right. Thanks for your time.

BILL MCMAHON:

Not a problem. Thanks for the questions.

OPERATOR:

Thank you. And once again, just press star, then 1 if you would like to ask a question.

And we have a question from Jamie Lineberger from Lineberger & Company.

JAMIE

LINEBERGER: Good morning.

JOHN MOORE:

Good morning, Jamie.

JAMIE

LINEBERGER: I had a question about the new plant going online at CoaLogix down in North Carolina. Are you — has there been any deferment in that? Are you still expected to get it online late summer? Can you comment, you or Bill?

JOHN MOORE:

I'll hand that one over to Bill.

BILL MCMAHON:

Thanks, John. The — Jamie, the — we're still shooting for July of this year, and, you know, we're going to be running it out in June and July. We have a very tight schedule.

You know, it could slip a week or two, but we're pretty adamant that we're going to be up and running by the end of July.

JAMIE

LINEBERGER: Okay, thank you.

JOHN MOORE: Thank you, Jamie.

OPERATOR: All right. There are no additional questions at the present time. Are there any closing comments?

JOHN MOORE: I'd just like to thank our shareholders for being so interested in our progress, and, as we all know — that Rome wasn't built in a day and certainly not in a quarter, and, you know, I think that the best way to understand Acorn and what we're accomplishing is looking at it on a year-to-year basis. And I appreciate everybody's patience and confidence and conviction that what we're doing is helping to pave a way for a more prosperous America and making way for the wave of [unintelligible] that's happening around the world.

Thank you very much, and everybody have a great day.

OPERATOR: Thank you, and that does conclude today's teleconference. You may now disconnect your phone lines.