ECOLAB INC
Form 11-K
June 25, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

OR

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

For the transition period from to

Commission file number 1-09328

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

ECOLAB SAVINGS PLAN and ESOP

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

ECOLAB INC.

370 Wabasha Street North

Saint Paul, Minnesota 55102-1390

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ECOLAB SAVINGS PLAN and ESOP

REPORT ON AUDITS OF FINANCIAL STATEMENTS

As of December 31, 2009 and 2008

and

for the year ended December 31, 2009

AND SUPPLEMENTAL SCHEDULE

as of December 31, 2009

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Report of Independent Registered Public Accounting Firm

To the Plan Administrator and Trustees

Ecolab Savings Plan and ESOP

We have audited the accompanying statements of net assets available for benefits of the Ecolab Savings Plan and ESOP (the Plan) as of December 31, 2009 and 2008, and the related statement of changes in net assets available for benefits for the year ended December 31, 2009. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Ecolab Savings Plan and ESOP as of December 31, 2009 and 2008, and the changes in net assets available for benefits for the year ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2009, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the United States Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/McGladrey & Pullen, LLP
McGladrey & Pullen, LLP

Minneapolis, Minnesota
June 25, 2010

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ECOLAB SAVINGS PLAN AND ESOP

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

December 31, 2009 and 2008

(in thousands)	**2009**	**2008**
ASSETS		
Investments, at fair value (Notes 2, 3 and 4):		
Ecolab stock fund	$ 488,162	$ 412,806
Registered investment companies	381,215	288,538
Common/collective trusts	112,818	91,502
Participant loans	24,340	22,927
Total investments	1,006,535	815,773
Employer contributions receivable	670	824
Dividends receivable	1,686	1,626
Total assets	1,008,891	818,223
LIABILITIES		
Accrued distributions and withdrawals	466	393
Net assets reflecting investments, at fair value	1,008,425	817,830
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	579	1,709
NET ASSETS AVAILABLE FOR BENEFITS	$ 1,009,004	$ 819,539

The accompanying notes are an integral

part of the financial statements.

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ECOLAB SAVINGS PLAN AND ESOP

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

for the year ended December 31, 2009

(in thousands)		**2009**
Investment results (Note 2 and 3):		
Interest	$	2,196
Dividends		15,062
Net appreciation in fair value of investments		175,056
		192,314
Contributions:		
Participant contributions		44,259
Employer contributions		22,002
		66,261
Deductions:		
Distributions to participants		(68,715)
Plan expenses		(395)
		(69,110)
Net increase		189,465
Net assets available for benefits:		
Beginning of year		819,539
End of year	$	1,009,004

The accompanying notes are an integral

part of the financial statements.

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ECOLAB SAVINGS PLAN AND ESOP

NOTES TO FINANCIAL STATEMENTS

1. Description of Plan:

The following brief description of the Ecolab Savings Plan and ESOP (the Plan) is provided for general information purposes only. Participants should refer to the Plan document for more complete information regarding the Plan s definitions, benefits, eligibility and other matters.

GENERAL AND ELIGIBILITY:

The Plan is a contributory qualified defined contribution plan available to employees of Ecolab Inc. and certain of its subsidiaries (the Company). Employees regularly scheduled to work at least 20 hours per week may participate immediately in the Plan provided they are not subject to a collective bargaining agreement which does not provide for their inclusion. Part-time employees working less than 20 hours a week must be employed for a twelve consecutive month period during which they have worked at least 1,000 hours to be eligible to participate. Employee participation in the Plan is voluntary.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA) and the Internal Revenue Code of 1986, as amended (the Code).

CONTRIBUTIONS:

Contributions are made to the Plan as before-tax savings contributions and employer matching contributions.

Before-tax savings contributions are contributions made by the Company on behalf of participants who have agreed to have their taxable compensation reduced. Participants may reduce their compensation up to 25% (subject to a statutory annual maximum of $16,500 for 2009) for the purpose of making before-tax savings contributions to the Plan.

Participants who have attained age 50 or above are allowed to make catch-up contributions in accordance with enacted legislation ($5,500 in 2009).

Employer matching contributions are made by the Company in an amount equal to a $1 match for each $1 of participant pre-tax contributions on the first 3% of compensation and $0.50 for each $1 of participant pre-tax contributions on the next 2% of compensation. Effective January 1, 2009, the Plan was amended to allow the Company s matching contributions to be invested in the same investment funds as employee before tax contributions. Prior to 2009, the Company s matching contributions were invested in the Ecolab stock fund and participants were allowed to immediately re-allocate to other investment funds within the Plan. The Plan also allows additional employer matching contributions to true-up the employer match. This true-up ensures all participants receive their full annualized employer match.

The Plan contains a separate Employee Stock Ownership Plan (ESOP) account for employer and participant contributions (except contributions for participants in Puerto Rico) which are invested in the Ecolab Stock Fund. The ESOP allows participants to elect the withdrawal of dividends paid on shares to the ESOP account.

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ECOLAB SAVINGS PLAN AND ESOP

NOTES TO FINANCIAL STATEMENTS

The levels of contributions made by or on behalf of participants who are highly compensated, as defined in the Code, are subject to limitations under the Code.

VESTING:

Participants are fully vested in their account at all times.

PLAN BENEFITS:

As participants are fully vested at all times, benefits to participants are equal to their account balances. Upon retirement, death, disability or separation from service, a distribution may be made to the participant or beneficiary equal to the participant s account balance. Loans and in-service withdrawals for hardships are also available. A participant distribution or withdrawal from the Plan generally is subject to federal income tax and may be subject to a penalty, unless rolled over to a qualified plan or individual retirement account.

PARTICIPANT LOANS:

Active participants (and beneficiaries who are parties in interest as defined by ERISA) are permitted to borrow from their accounts. The total amount of a participant s loan may not exceed the lesser of (a) $50,000 minus the participant s highest outstanding loan balance for the previous twelve-month period, or (b) 50% of the participant s interest in his or her account. When a loan is granted, the appropriate account balances are reduced and a separate loan account is created. Loan payments, together with interest at a market rate determined by the Plan Administrator, are repaid generally over 5 years unless the loan is for the purchase of a principal residence, with a term of up to 10 years. Participant loans at December 31, 2009 had interest rates ranging from 3.25% to 10.25% and were due at various dates through January 2020. A participant can have no more than two loans outstanding at any time. Participant loans are collateralized by the borrower s account balance and are repaid through ratable payroll deductions.

PARTICIPANT ACCOUNTS AND ALLOCATION:

Fidelity Management Trust Company (Fidelity) provides investment management, recordkeeping and trustee services for the Plan directly or indirectly through one or more of its subsidiaries. The trust agreement authorizes services to be performed by the trustee, its agents or affiliates.

Each participant s account is credited with the participant s contributions, the employer matching contributions and investment income thereon, net of Plan expenses.

Participants are allowed to allocate their entire account balance in any combination of the available investment options. Participants can transfer their account balances among the investment options and/or change the investment of their future contributions, and earnings thereon daily. These transfers and changes must be made in whole dollar amounts of at least $250 and/or in whole percent increments.

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ECOLAB SAVINGS PLAN AND ESOP

NOTES TO FINANCIAL STATEMENTS

All participant contributions made under the Plan are paid to and invested by Fidelity in one or more of the available investment options as directed by the participants.

PLAN TERMINATION:

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

2. Summary of Significant Accounting Policies:

BASIS OF PRESENTATION:

The accompanying financial statements have been prepared on the accrual basis of accounting.

Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in investment contracts through common/collective trusts. As required, the statement of net assets available for benefits presents the fair value of the investment in the common/collective trusts as well as the adjustment of the investments in the common/collective trusts from fair value to contract value relating to investment contracts. The statement of changes in net assets available for benefits is prepared on a contract value basis.

USE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make significant estimates and assumptions that affect the reported amounts of net assets available for benefits and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

VALUATION OF INVESTMENTS:

Fidelity holds the Plan s investment assets and executes transactions therein based upon instructions received from the Plan Administrator, Ecolab Inc., and the participants of the Plan. The Plan s investments are stated at fair value. Fair value is the amount 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. See Note 4 for discussion of fair value measurements.

INCOME RECOGNITION:

Interest income is recorded as earned on an accrual basis and dividend income is recorded on the ex-dividend date. Purchases and sales of securities and realized gains and losses related to sales of investments are recorded on a trade-date basis. Unrealized gains and losses are recorded based on the fair values as of the reporting date.

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ECOLAB SAVINGS PLAN AND ESOP

NOTES TO FINANCIAL STATEMENTS

CONTRIBUTIONS:

Participant before-tax contributions are recorded in the period the employer makes the payroll deductions. Employer matching contributions are recorded based on participant contributions in the same period.

RISKS AND UNCERTAINTIES:

The Plan provides for various investment options in various combinations of investment funds. Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, including Ecolab Stock, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants account balances and the amounts reported in the 2009 statement of net assets available for benefits.

CONCENTRATION OF MARKET RISK:

At December 31, 2009 and 2008, approximately 48% and 50%, respectively, of the Plan s net assets were invested in the common stock of the Company. The underlying value of the Ecolab stock fund is dependent on the performance of the Company and the market s evaluation of such performance.

DISTRIBUTIONS TO PARTICIPANTS:

Distributions to participants are recorded when paid.

PLAN EXPENSES:

The Company pays a portion of the administrative expenses of the Plan and a portion is paid by plan participants within the Plan. Certain asset management and administrative fees of the Plan are charged against the Plan s investment results.

NEW ACCOUNTING PRONOUNCEMENTS:

In June 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 105, *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification as the source of authoritative generally accepted accounting principles. Pursuant to the provisions of ASC 105, the Plan has updated references to GAAP in its financial statements issued for the year ended December 31, 2009. The adoption of ASC 105 did not impact the Plan s net assets available for benefits.

In May 2009, the FASB issued new provisions now included in ASC 855, *Subsequent Events*. The provisions set forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may have occurred for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transaction that occurred after the balance sheet date. The provisions of ASC 855 were adopted by the Plan for the year ended December 31, 2009, and subsequent events were evaluated through the filing date of this report.

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ECOLAB SAVINGS PLAN AND ESOP

NOTES TO FINANCIAL STATEMENTS

In September 2009, the FASB issued accounting guidance relating to investments in certain entities that calculate net asset value per share (NAV), which provides guidance on how entities should estimate fair value of certain alternative investments. The fair value of investments within the scope of this guidance can now be determined using NAV as a practical expedient, when the fair value is not readily determinable; unless it is probable the investment will be sold at something other than NAV. It also requires disclosure of certain attributes by major category of alternative investments, regardless of whether the practical expedient was used. The Plan adopted this guidance for the year ended December 31, 2009 and included the required disclosures in Note 4. The adoption did not impact the Plan s net assets available for benefits.

3. Investments:

Investments that represent 5 percent or more of the Plan s net assets available for benefits at December 31, 2009 and 2008 are summarized as follows:

(in thousands)	**2009**	**2008**
Ecolab Inc. Stock	$ 485,526	$ 408,869
Spartan U.S. Equity Index Fund	74,947	59,250
Dodge & Cox International Stock Fund	61,613	*
Fidelity Managed Income Portfolio II Fund	*	42,647
Fidelity Government Income Fund	*	41,908

* Individual investment does not exceed 5 percent or more of the Plan s net assets in the year presented.

The Plan s investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows: