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CONFERENCE CALL
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OPERATOR: Good morning ladies and gentlemen. Thank you for standing by. Welcome ShawCor fourth quarter results and year-end conference call. At this time all participants are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. Instructions will be provided at that time for you to cue up for questions. If any difficulties hearing the conference, please press '*' followed by '0' for operator assistance at any time. I will now turn the conference over to Jim McTurnan, Vice President, Legal. Please go ahead.

J.H. MCTURNAN (Vice President, Legal): Thank you Joanne (ph). Today's conference call includes forward-looking statements involving estimates and judgments, risks and uncertainties that may cause actual results to differ materially from those projected. The uncertainties include, among other things, economic conditions, levels of drilling and pipeline activity, environmental and regulatory risks, liability claims, exchange rate fluctuations, political risk, and raw material pricing. Further information on risk that could affect the company can be found in ShawCor's 2006 annual report and annual information form, as well as the quarterly reports for 2007. Copies of these reports are available on SEDAR at www.sedar.com

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and may also be found at the company's website at shawcor.com. I will now turn the call over to Gary Love, our vice president, finance, and CFO.

G.S. LOVE (Vice President, Finance, and Chief Financial Officer):
Thank you, Jim, and good morning everyone. I must begin by advising you that Bill Buckley, ShawCor's president and CEO, has suffered a death in the family, and thus he will not be able to join the teleconference this morning. In Bill's absence, I have asked John Tikkanen, our president of Bredero Shaw, our largest division, to assist me in answering your questions following my prepared remarks.

We issued our quarterly earnings release last evening, and ShawCor has again reported strong results with forth quarter revenue and net income from continuing operations substantially improved over the prior year. This result reflects continued good operating performance, although somewhat reduced from the record pace set in the second and third quarters of this year. In terms of the full-year 2007 performance, we are very pleased that despite revenue declining marginally, we were able to improve operating income by 15 percent and to achieve record income from continuing operations of \$117 million, or \$1.60 per share on a fully diluted basis. That is an improvement of 28 percent over the prior year.

In a moment, I will explain the operational factors underlying the

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fourth-quarter performance. First, I will offer some comments on the result from discontinued operation. Naturally we were disappointed with the jury verdict that was rendered in the Mobile, Alabama, environmental lawsuit, and I can tell you that we intend to appeal this judgment through the Alabama Supreme Court appeal procedure. It will take many months before this appeal process is complete, and in light of the magnitude of the jury verdict, we have considered it prudent to provide a reserve against our 50 percent share of the jury verdict award. As a result, we have reported a \$30 million loss from discontinued operations in the fourth quarter.

Now returning to our operating results, revenue in the fourth quarter was exceptionally strong at \$285 million and was actually up 3 percent over the fourth quarter of 2006. This was an unexpected result given the fact that our small-diameter coating activity in Western Canada was down about 40 percent on a year-over-year basis. Furthermore the 15-percent strengthening of the Canadian dollar versus the U.S. dollar, year over year, reduced reported revenue by \$28 million. What did drive the strong revenue were record large-diameter coating volumes in both Canada and the U.S. In the U.S., activity focused on the Golden Pass, Northern Flank (ph), Phoenix Lateral, and Rockies Express pipelines, while in Canada, the Rockies Express, Corridor, Southern Access, and Southern Lights

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pipelines provided outstanding contribution from our large-diameter plans.

Another area of revenue strength in the fourth quarter was the Far East, with revenue and U.S. dollars up 62 percent, year over year. In terms of operating margins, we did, as expected, see some softening in the fourth quarter. Compared with the fourth quarter of 2006, operating margins decreased from 15 percent to 13.8 percent, with the main factor being the strengthening of the Canadian dollar. On the same basis that revenue was negatively impacted by \$28 million, operating income was \$8 million lower than it would have been had the Canadian dollar remained at the level of the fourth quarter of 2006. This directly reduced operating margins by three percentage points. Now, compared with the record operating income levels realized in the second and third quarters of this year, the operating margin was down by approximately three percentage points.

In addition to the Canadian dollar effect, the key factors in the margin result related to higher manufacturing fixed costs in our pipeline segment connected with expansion activity and a modest market weakening in the petrochemical and industrial segment divisions. In terms of fixed costs in our pipeline segment, the new capacity being added in Canada, the USA, the Middle East, and setup of new project plans in

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Spain and Tunisia has resulted in an increase in fixed costs of \$3 million, or approximately three margin points versus the third-quarter level. As this new capacity enters production in 2008, we should see these fixed costs fully absorbed and our operating margins improved accordingly.

In terms of the operating results in our petrochemical and industrial segment, margins decreased by 6 percentage points from the prior-quarter levels. While the Canadian dollar appreciation was the main factor in this result, the weakness experienced in oil sands project activity in the fourth quarter was also significant. We expect this later factor to be temporary, as a number of major oil sands projects are expected to restore strong demand for our ShawFlex division's industrial wire products in 2008.

EBITDA for the fourth quarter, at \$50.7 million or \$0.70, was reduced from the levels of the fourth quarter, 2006, in line with the operating income. The EBITDA margin at 20 percent in our pipeline segment was down from the 22-percent level experienced in the second and third quarters, but, when viewed over a longer timeframe, does reinforce the trend of consistent improvement that started back in 2005. The EBITDA in the petrochemical and industrial segment, at 14.7 percent, was significantly below prior quarter levels and is indicative of the Canadian dollar appreciation impact. For all of 2007, EBITDA reached a new record

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level of \$203 million or \$2.76 per share fully diluted.

Net income from continuing operations was up approximately 27 percent in the fourth quarter, compared with the prior year, and was also up 12 percent compared with the very strong levels of the second and third quarter of this year. The key factor in this result was the low tax rate realized in the fourth quarter of 2007. Our effective tax rate for the fourth quarter came in at 16 percent compared with the Canadian statutory rate of 34 percent. For the full year, 2007, the effective rate is approximately 29 percent, with 6 percentage points of the difference between the 2007 effective rate and the Canada statutory rate due to the recognition of the tax benefit relating to losses incurred in jurisdictions for which we have previously not booked any tax benefits.

In fourth-quarter 2007, we were able to obtain sufficient certainty regarding tax-loss utilization to recognize the tax accounting benefits. Looking strictly at the fourth quarter the benefits of the tax rate improved reported earnings by approximately \$6.5 million, or \$0.09 per share fully diluted. In addition to the tax benefit, earnings per share were benefited by the repurchase of 423,000 shares in the fourth quarter under our normal course-issuer bid at a cost of \$14 million. For all of 2007, share repurchases totalled approximately 3 million class-A shares at a total cost

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of \$92 million. As a result of the share buyback program, total shares outstanding have declined 4 percent to 71.3 million shares as of year-end. Based on the net income from continuing operations, return on equity exceeded 23 percent in the fourth quarter and averaged 20 percent for all of 2007. That is up from 15.8 percent in 2006.

Turning to cash flow, cash provided by continuing operations for the fourth quarter 2007 before working capital changes at \$47 million, or \$0.65 per share, was improved from the levels of both the third quarter of this year and the fourth quarter of the prior year. Working capital in the fourth quarter increased by \$38 million as a result of higher receivables as well as increased inventories and prepaid expenses related to start-up activity for new projects launching in 2008 in Spain, Tunisia, the Emirates, and Western Canada. Cash flow from operations before changes in working capital in the fourth quarter was sufficient to cover the \$33 million in cash used in investing activities.

For all of 2007, cash flow from operations before working capital changes reached \$162 million, and that compares with the cash used in investing activities of \$99 million. As in prior quarters this year, investing activities were primarily focused on capital expenditures on plant and equipment related to the completion of our expansion programs in

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Camrose, Alberta, and the United Arab Emirates.

I would like to now take a few minutes to update you on the outlook for our operations. To begin with, we issued a press release on Monday indicating that we do not now expect to participate in the pipe coating of the Nord Stream pipeline. Nord Stream have announced that they will enter into a letter of intent with a competitor for this project. Following numerous meetings held over the past six months, we were unable to agree with Nord Stream on project pricing and certain contractual terms for this project.

Naturally, we would have wanted to participate in the pipe coating of the Nord Stream pipeline. Notwithstanding the great uncertainty surrounding the timing of this project, given our experience with offshore concrete weight coating in northern Europe, the Nord Stream project did appear to be an excellent opportunity for us. The client, however, has indicated that the project coating must be performed at new greenfield locations in Germany and Finland. This requirement eliminates our potential to use the available capacity we have in Norway and Scotland to execute the project. In addition, we maintain very strict discipline regarding return on investment, and the client was not prepared to accept a price that would meet our criteria. For this reason, we will now turn our attention to

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other opportunities in the European region.

In this regard, the award of the Statoil Gjoa project is an important first step in achieving the growth potential that we see in Europe. Gjoa will allow us to remobilize our currently inactive facility in Leith, Scotland. Additional North Sea projects that we are currently bidding on hold the potential to see our Scottish operations highly utilized, commencing in the third quarter, 2008, and extending well into 2009. Beyond 2009, we are confident that new, major projects, including Statoil's Snjovit (ph) project and eventually the Troll gas field project will mean that Europe will be a strong area of growth for us, even without Nord Stream.

Beyond Europe, the outlook remains very strong. The current level of activity in the Americas will only increase as additional large-diameter projects commence in Canada and the U.S. and deep-water oil developments in Brazil and the Gulf of Mexico are initiated. Our new high-temperature insulation coating plant in Camrose, Alberta, has now started operations, and by the end of 2008, we will have substantially increased large-diameter pipe coating capacity in both Camrose and at our large-diameter pipe coating facility located at the IPSCO mill in Regina. In January, we announced a further growth initiative to add a third plant in Camrose to provide above-ground insulation coating for oil sands facilities

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as well as new internal coating with applications including steam lines used in SAGD oil sands projects. These are new products for ShawCor, and they should be good sources of growth.

In the Emirates, we commenced production a few weeks ago, following nine months of downtime to accommodate the facility upgrade and expansion at our existing pipe coating location in Ras al-Khaimah. The first project underway is for Qatargas, and following its completion, we will undertake a major project for the Shell Pearl GTL plant. The bidding activity remains very strong in the Middle East, and we remain confident that this region will remain strong in the years ahead.

In the Far East, we will launch the Woodside Pluto project at three different plants in mid-2008. This project includes anti-corrosion coating, deep-water insulation coating, as well as concrete weight coating. It will be an excellent showcase for the full range of the company's technology. Beyond Pluto, projects such as Gorgon and Browse (ph) off the Australian northwest shelf offer excellent potential for continued growth in that region.

Summarizing, then, our outlook for revenue in 2008, we see the potential for modest growth in the range of approximately 10 percent based on booked and anticipated projects, current exchange rates, and current industrial activity. Supporting our optimism for 2008 is the increase

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in our backlog to \$460 million as of year-end. Beyond 2008, growth will continue, as we benefit from strong and sustained investments from energy infrastructure globally. On that note, I will turn the floor over to the operator for questions, and both myself and John Tikkanen will be happy to answer any questions you may have.

OPERATOR: Thank you. Ladies and gentlemen, we will now conduct the question-and-answer session. If you have a question, please press the '*' followed by the '1' on your touch-tone phone. You will hear a tone acknowledging your request. Your questions will be polled in the order they are received. Please ensure you lift the handset if you are using a speakerphone before pressing any keys. One moment, please, for your first question. Your first question comes from John Tasdemir, Tristone Capital. Please go ahead.

JOHN TASDEMIR: Hey, good morning, guys. Nice quarter, despite all the noise. First, on Nord Stream, not necessarily trying to look for a silver lining there, but obviously, I think after months of waiting, it was just disappointing to see that you didn't get it. Obviously, people would prefer you to make a better return on your dollars. That said, does the person who got, or the company that got the Nord Stream project, did they surprise you as a competitor? Number two, does that potentially tie up their

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other capacity to allow you to more aggressively pursue some of these other projects, and finally, does this potentially free up some of the capital you were expecting to put into it and allow you to do something else with it, potentially buy back more of your stock? Can you make a few comments on that?

G.S. LOVE: Sure can, John, sure can. I'll take a stab at it, and then I'll ask John, maybe, to weigh in on a couple of points. First of all, your first question was related to the competitive position relative to EUPEC. I don't think we really want to comment to any extent on what their capabilities are, etc., in terms of being surprised by them as a competitor, more importantly, by the pricing which the project ultimately may or may not be awarded at.

Our deal is simple. When confronted with the requirements to set up new plants in Germany and Finland, we were looking at all new capital for that, and so for us, it became a very straightforward consideration of how much would be required to successfully execute the project in terms of capital investment and then what kind of return could we earn on that.

We couldn't meet our hurdle rates on that, so that's the way that went. In terms of the competitive landscape, I'm going to ask John to speak about it a little bit. Yes, the new plants that are going to be set up by

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EUPAC, according to the Nord Stream announcement, are really focused on the Baltic, and the North Sea is a very different market. John, do you want to talk a little bit about what we see in the North Sea?

J.D. TIKKANEN (President, Bredero Shaw): Yes. The two plants that will be added will be in a geographical location specific to this project and should not come into play for other projects in the near term. The competitor that's been awarded this project is an active player in the North Sea, and this is a considerable project and will take all of our efforts. We do believe that it does provide an opportunity for us to focus in on other projects in the North Sea area and potentially benefit from that.

G.S. LOVE: John, just back to your third question about freeing up capital, we've always said that our growth strategy—I've (inaudible) been very clear on articulating this over the last number of months. We view our growth strategy in three components: the organic component, the element of product innovation and introducing new products and services, and thirdly, the third element of the growth strategy is acquisition. If we take these one at a time and cap the availability for each of them, with Nord Stream off the table, that clearly means that we will not be investing as much in the short term in organic growth opportunities as we would have had we undertaken Nord Stream. Nord Stream was going to be a very

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capital-intensive project and would have required very significant capital investments in 2008. We will not be undertaking anywhere near the level of capital expenditures in 2008 as we would have been.

Having said that, though, our efforts in product development are unchanged. I'm going to ask John to speak to that in a second. As well, we continue to look at some acquisition possibilities, and in that area, we have, I think, some very strong potential for adding businesses that are complimentary to our core pipeline focus and doing that in 2008. I think that is going to be a focus for the company. It would have been a focus for the company with Nord Stream, but without Nord Stream, it continues as a focus. John, maybe you could talk a little about the product development side, because that is a key part of the strategy.

J.D. TIKKANEN: We're focusing a lot of our efforts on introducing new technology that will differentiate us from our competitors, particularly in the deep-water markets. We have a variety of programs underway now that will come to fruition over the next 18 months that should allow us to introduce better products for our customers that will take their performance to new levels and allow us to provide a unique solution, so we're quite optimistic that the future is bright for some deep-water technologies, and we're investing resources and particularly our key (inaudible) efforts into

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securing new technologies, going forward.

G.S. LOVE: Okay. John, is that?

JOHN TASDEMIR: Yes. No, it does. It's helpful. Just kind of going back to—I mean, you obviously have a stellar balance sheet, and it would appear that you would have the capacity to do quite a few things. I know you guys have an active share buyback.

G.S. LOVE: Yes.

JOHN TASDEMIR: At that this level, are your shares more attractive than other opportunities, and does your strategy change on the buyback? Not necessarily at this point.

G.S. LOVE: Yes, we renewed the normal-course issuer bid in November. Under that, we can acquire up to 5 million class-A shares. In 2007, we bought back 3 million shares. We renewed the NCIB because we intend to use the NCIB. Nothing really changes in terms of our approach. We're going to have very strong cash flow from operations in 2008. I think we've come off two years of strong operating cash flow. We don't see that changing. We're going to continue to use the NCIB. That's obviously what it's there for. In addition, our main objective is to execute the strategy that we've put in place, and that is absolutely the main focus of the company: organic growth, new product development, and acquisition of

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complementary pipeline product and service businesses.

JOHN TASDEMIR: Okay. That's a fair answer. Let me—just one more question, and I'll turn it to somebody else, but help me think about margins going forward a little bit: I know, in the pipeline business, you talked about fixed cost, and we'll see that fixed-cost absorption happen over the next several quarters. Also, remind me if there's any kind of—as we're kind of modeling our early '08 first quarter, do we expect much of a—what kind of a magnitude of pickup in margins should we anticipate, or should we just?

G.S. LOVE: Well, one of the cautions that I've always spoken of when asked questions on margins is that in our business, margins do move from quarter to quarter. We—particularly in the pipeline segment, where we have a project variability, project mix variability, it can move margins around a lot as projects start up, which is what we saw to a significant extent in the fourth quarter. That can be a drag on margins. Then as those projects kick in in the first quarter, you tend to see the recovery. That's a factor in trying to look at margins on a quarter-by-quarter basis. The levels that we were at in the second and third quarter, looking at EBITDA margins in the pipeline segment in the 22 percent range. We've always said we may have hit that level perhaps sooner than we thought we

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would, but we've always said that there's room for improvement beyond that.

The ShawCor manufacturing system, which is our focus on improving operational performance in our facilities, has a long way to run. The utilization of capacity that we have, today, available and that we're bringing on-stream and have been bringing on-stream, that will have a benefit to margins. The trend of increasing margins, we believe, will be sustained with quarter-by-quarter variability. That's inevitable.

JOHN TASDEMIR: Thanks guys. That's all I had.

OPERATOR: Your next question comes from Dana Benner, Thomas Weisel Partners. Please go ahead.

DANA BENNER: Thanks. Good morning guys.

G.S. LOVE: Morning.

DANA BENNER: I guess the first thing is to say I'm sure a lot of people would want you to pass on best wishes to Bill. I'd like to start on the backlog. You've mentioned that It's growing. It's grown sequentially and year over year. Then you also talk about a forecast of more robust growth in '09. If we can—let's start with a weight. You've mentioned up 10 percent. Are you reasoning from that from the size of the backlog right now, or is it backlog plus a sense of immediate bid flow in front of you and some risk

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adjusting of how many of these that you tend to win versus lose, etc.?

G.S. LOVE: Yes, there's sort of two elements to that. One is '08, and then I think you're also asking a little bit about '09. In terms of backlog, first of all, our backlog is a very narrow number. I think we've explained this before. We include in backlog only projects for which we have a purchase order, and we calculate the value of the purchase order that we will execute over the immediate 12 months forward. As a result, what would not be included in the backlog would be a project such as Alberta Clipper, for which—Alberta Clipper and other projects—we are currently undertaking an expansion of our Regina pipe coating facility.

The reason why it's not in our backlog is that the commercial relationship we have with the particular customer in that case—we operate under a framework agreement and, quite frankly, purchase orders generally aren't issued until the work is essentially ready to commence. We've done sufficient work on that project that we would have, let's say, a high confidence that that will be a project that we will execute. Through discussions with the client, we know what the timeframe is that we'll execute that work.

That's an example of situations that we have with other customers around the world. We start with the backlog. We start with the—we add to

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that the work under development, if you will, with clients for which we have long-established track records. Then, finally, the other element is we have to look at the businesses such as our small-diameter coating business, which tends to really be—it's not project driven. It tends to be driven by drilling activity. In that case, we see areas of strength around the world and we see areas of weakness, i.e. Western Canada, and we have to make a judgement on how that type of business is going to unfold in the future.

We distil all those factors together, and we have an outlook that looks for moderate growth in 2008. It's subject to all the variabilities that we encounter in our business. Looking into 2009, the potential for 2009 is very much driven off of the work that we've been doing over the last—particularly in '07, in terms of putting new capacity in place. We're going to see the benefit of that in '08, but we're going to sort of realize the fuller benefit of that in '09, and coupled with some of the activity that we've got in the Far East with the Pluto project—and I did speak to Europe. Europe is going to be a source of growth for us. As we move through '09, we think that that growth is going to accelerate, although obviously not at the rate that it would have had we been awarded Nord Stream.

DANA BENNER: So I guess looking out to '09, what would be—how would you assess or would you say the key projects would be in North

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America in '09 that you've increased capacity to provide for?

G.S. LOVE: Well, the key projects that I think we would expect—and again, they're not contracted, so we can't, we don't want to state anything with certainty—but looking at what's happening in Western Canada, the development of the takeaway infrastructure for the increasing oil sands output, and these would be—they're well-known projects. Alberta Clipper is a key project that Enbridge will be undertaking, and TransCanada, of course, have Keystone. These are projects which, I think, most observers would say have a high probability of proceeding, and we would, based on our historical relationships and our current position, expect to see some significant benefit from that.

DANA BENNER: I guess if we look for things that may cause your numbers to ultimately under-perform, would you say that as you sit there and you look at a \$9 gas quote on NYMEX—and mindful of the drilling activity that that may spur at some point in '08 even if it's only a little bit to start—would you say that you've perhaps got an upward bias should these gas prices hold and we see field activity in Western Canada, and perhaps a bit more in the U.S., pick up?

G.S. LOVE: Yes. I'm going to let John speak to that because he's got a lot of familiarity with the Western Canadian market.

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J.D. TIKKANEN: Yes, I think the large-diameter business in Western Canada is larger projects that have a longer lead time, and I think those are largely on track. The small-diameter, specifically the gas business, is much more sensitive to gas pricing. The more attractive the gas price, the more attractive that business. That would be positive for us in the second half of '08 and '09.

DANA BENNER: Just one final question. Given that the U.S. activity levels have hung in much better than in Canada, are you actively pursuing a lot of the small-diameter work in a lot of the U.S. shale projects as they come online? Is that an active marketing effort on your part?

G.S. LOVE: Yes. Again, I'll have John speak to that in a moment, but we have, certainly, in our facility in—help me out here, John. Utah, I think—Vineyard, Utah, and that's been seeing record volumes. John, do you want to add to that?

J.D. TIKKANEN: Our small-diameter business in the U.S. has been exceptionally strong, and we serve that market from three locations: in Vineyard, Utah; in (inaudible), which is part of Houston, Texas; and also from a plant outside of L.A. in Fontana, California. They are all very busy. They remain at high activity levels, and we are looking for opportunities to expand in the U.S. The business has stayed strong, and we see that

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continuing through '08.

G.S. LOVE: The U.S. activity has really doubled. Our pipe coating activity in the U.S. has doubled on a year-over-year basis. It's been exceptionally strong for us and certainly looks to stay that way. There is one area in the U.S. which, I think, has a lot of interest for us, and that's the water line market. It is, I think, going to provide some excellent potential, perhaps not in the immediate term, but perhaps as we get into '09 and beyond, there are some very significant water infrastructure projects that we're currently working on. That adds another element to a very healthy U.S. outlook.

DANA BENNER: Okay. That's all I've got guys; thanks a lot.

G.S. LOVE: Thanks, Dan.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time, please press the '*' followed by the '1'. As a reminder, if you are using a speakerphone, please lift the handset before pressing the keys. Gentlemen, there are no further questions at this time. Please continue.

G.S. LOVE: Okay. I would like to thank everyone for their participation in the conference call. I can only tell you that Bill Buckley was extremely disappointed that he wasn't able to be here. He had a family

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emergency, and of course, that obviously had to take a priority. We respect that, but he will be back for the next conference call, and we certainly look forward to speaking with you then. Thanks, Joanne.

OPERATOR: Ladies and gentlemen, this concludes the conference call for today. Thank you for participating. Please disconnect your line.

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