Operator: Greetings, and welcome to the Graham Corporation Third Quarter 2011 Quarterly Results Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require Operator assistance during the conference, please press star zero on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Deborah Pawlowski, Investor Relations, for Graham Corporation. Thank you, Ms. Pawlowski. You may begin.

Deborah Pawlowski: Thank you, Claudia, and good morning, everyone. We appreciate your joining us today on Graham's Fiscal 2011 Third Quarter conference call. On the call, I have with me today Jim Lines, President and CEO of the Company, and Jeff Glajch, Chief Financial Officer. Jim and Jeff will be reviewing the results of the quarter and also provide a review of the Company's strategy and outlook. On our website at *www.graham-mfg.com*, you will find both a press release as well as supplemental slides that are posted there. Jim and Jeff will be referring to the slides during the formal part of their discussion.

As you are aware, we may make some forward-looking statements during this discussion, as well as during the Q&A. These statements apply to future events and are subject to risks and uncertainties as well as other factors that could cause actual results to differ materially from what was stated here today. These risks and uncertainties and other factors are provided in the earnings release, as well as other documents filed by the Company with the Securities and Exchange Commission. These documents can be found at the Company's website or at *sec.gov*.

So, with that, let me turn it over to Jim to begin the discussion. Jim?

James Lines: Thank you, Debbie, and good morning, everyone. We are pleased with the results in the third quarter and with our acquisition of Energy Steel in the quarter. I would like you to refer to slide 5, where I will review highlights for the quarter.

Orders were strong in the quarter, at $17.8 million. We won some very key orders during the quarter, a project for an oil sands extraction facility in Alberta, which is the first of that type of order for us. We see a good opportunity in the coming years for this type of sale. We also won another project for a China refining facility. That's our ninth order in the last four years. Again, we continue to progress well with our China strategy, focused on the refining market. We also won a nice order for a very large fertilizer project that will be built in India. It will be the largest fertilizer facility in the world. What's different about this one is we have partnered with an Indian company to fabricate the condensers locally in India for the Indian fertilizer facility, further advancing our local manufacturing strategies. We also had Energy Steel add about $800,000 of new orders since we owned them mid-month in December.

On the sales side, I thought we had a strong quarter for sales, at $19.2 million. If we compare to a few quarters back, we had fairly similar sales from the third quarter of 2010 to the first quarter of 2011, and then we began to have sales expand in our second quarter, and again in the third quarter. We're at a point now where we think we're through the trough, and we should begin to have sequential revenue growth again in our fourth quarter. Comparing year-over-year is going to be relatively easy because we're comparing the troughs to the current quarters, but we did have a 58% expansion in sales compared to the prior-year period.

Gross margins, they came in line with our expectation, at 25.3%, and that's really tied to the pricing environment for orders won 12 to 18 months ago. Those have to be moved through the backlog. They're going through the backlog now. We have higher-quality orders in the backlog that will begin to convert as we're into fiscal year 2012. Operating margin, if we remove the acquisition-related expenses, was again in line with our expectations, at about 10%. We're very pleased with the acquisition of Energy Steel. It's an excellent strategic fit. The business has a similar sales and execution model to Graham's core business. We find the Company has a terrific management team that has identified very clear avenues for growth, and the facility that's there now has ample capacity for greater throughput. I remain very optimistic about Energy Steel and its contribution to Graham's future earnings.

Turning to slide 5, revenue, our guidance has been tightened to $69-72 million. For the first three quarters, revenue year-to-date is $48.3 million. If we take the midpoint of the guidance, that would suggest the fourth quarter comes in at $22.2 million. To get to the upside of the guidance, that will require getting some traction on some more profitable, larger orders that are in our backlog. We have capacity, we have strategies to pull those into the fourth quarter, so our ability to hit the $72 million and maybe push a little bit beyond that will be tied to our traction on those projects which have higher revenue and profitability per production hour.

From a sales mix point of view, as we've said for a number of quarters, the international market will become more important and will lead the recovery. Year-to-date international sales are about two-thirds of our sales, primarily from the Middle East and Asia. End-use markets, refining remains important, at about one-third of our sales mix, chemical processing, power generation, and others. If we look going forward into 2012 and beyond, we should see the power segment begin to expand with the addition of Energy Steel, and we feel more positive about the outlook long term for oil refining and petrochemical markets, as well, so we would expect sales and those segments to expand, as well.

Turning to the next slide, the integration of Energy Steel has gone very well. Lisa Rice, the other managers at Energy Steel, Jeff, they've done a terrific job to ensure there's been minimal disruption with the integration of Energy Steel into Graham. It's gone quite smoothly. We plan to be 404 compliant by the end of fiscal year 2012. We had a strategy session with the managers of Energy Steel to define our growth objectives and profit improvement objectives for the business, and I am very pleased with the first month and a half of our ownership of Energy Steel. The acquisition-related costs, which were expensed in the third quarter, affected net income by about $0.05 per share. We believe there's very little carryover into the fourth quarter; it was expensed almost fully in the third quarter.

Looking at growth opportunities as they relate to Energy Steel or our nuclear power market strategy, we believe there's greater penetration available to us in the existing nuclear power plants. We also feel that we can broaden our supply of products to the nuclear market by bringing engineering and process know-how that the Graham team has to complement the strengths of Energy Steel. Also, there will be, we believe, a number of new power plants in the U.S. to be built over the coming decade, four to six are expected to be underway by 2018, and we feel there's just tremendous upside with this strategy in the acquisition of Energy Steel.

On slide 7, I just wanted to recap a bit about the strategic actions we took over the last two years to position our Company and to drive growth in coming years. I believe we have enlarged our sandbox that we'll play in, with our focus on the naval nuclear propulsion program. We've made a clear commitment to the Navy that we will be a consistent supplier to their nuclear propulsion program. The carrier order was a very significant win for us, and our team dedicated to the nuclear program with the Navy is focused on additional opportunities, and we feel that's going to be a very important leg of our business in the coming years. The nuclear power market, we have a clear directed approach to expand our sales into that market space with the acquisition of Energy Steel. The Batavia operations are currently undergoing a certification process to produce nuclear-quality products as well, and we have a focus on renewable energies. That's one market that's pretty active in the U.S. market right now.

If we look at Graham more historically, we would say we were driven off of two markets, oil refining and chemical processing, and then we serve a variety of other end-use markets. Projecting forward with the actions that we took over the last 12 to 18 months, we see four strong market segments plus the additional markets that Graham serves: oil refining, chemical processing, defense or the Navy program, and power generation. This provides us with a larger addressable market and greater avenues for growth. We've also taken the downturn to expand our subcontractor network. This provides greater flexibility that shortens the supply chain.

In the last year, we've added three more subcontractors in North America. We now have in our international areas three contractors in South Korea, two in China and two in India. Currently, we have work in our backlog being produced now in China, in India and in South Korea. What this does for us—our markets will be cyclical, and we have to address demand in a way that we have a flexible cost model, and I believe we've advanced that flexible cost model with our focus on subcontracting to allow us to expand when there's strong demand but yet have a fixed-cost structure that's suited for the downturn, and I think that was evident in how we performed through the last two years during the trough.

We also focused during the downturn on the core business to hold our margins, to improve our margins in the face of international sales mix and lower-margin potential. We've committed to, and we are achieving, shorter lead times across our Company. Error reduction has really taken hold. We've seen the improvement in quality and the reduction in rework come down quite a bit over the last year. We've implemented a number of IT improvements, both in operations and in the office, in our production area as well. We have a strong commitment to continuous improvement, all of which is allowing us to hold our margins and improve our margins as we go forward. With the strong opportunities for growth across the four market segments that I defined earlier, we will be making investments in personnel to expand our capability and capacity. That's a more forward-looking comment, as we have identified where the growth is and we need to invest in the business to capitalize on those opportunities.

With that, I'd like to turn it over to Jeff for a more detailed review on the quarter.

Jeffrey Glajch: Thank you, Jim. As you can see on slide 9, as Jim has mentioned, we had a fairly stagnant revenue period from Q3 of fiscal 2010 to the beginning of fiscal 2011; that, obviously, followed a downturn in the first half of fiscal 2010. However, over the last three quarters, we've really seen a pickup. Q3 revenue was $19.2 million, up sequentially 22% from the prior quarter; 18% of that 22% was organic growth, the other 4% was for the couple of weeks that we owned Energy Steel, in December. This follows a 17% sequential increase in Q1 to Q2 in fiscal 2011.

For the quarter, sales were up 58% versus the similar quarter last year; 52% of that growth, again, was organic and the remaining 6% from the Energy Steel acquisition. What we're seeing is revenue growth being driven by the international markets, which we expected, with the growth occurring in our key markets in Asia, the Middle East, South America and in Canada. We believe we are clearly out of the four-quarter cycle bottom that we had been in earlier this year and late last year and are looking to continue to see growth in the next quarter also, as Jim has talked about.

Earnings per share in the quarter were $0.08 a share, up about 10% from last year's number, but that includes the acquisition costs. When you strip out those acquisition-related costs that are transaction costs, our earnings were up very dramatically at $0.13 a share.

Looking at the next slide, orders have rebounded in the third quarter to $17.8 million from the low levels of the first half of this year. In fact, the third-quarter order level was very close to the combination of the first and second quarter. Included in that $17.8 million was about $800,000 worth of orders from Energy Steel, and although the $17.8 is a significant growth over the last couple of quarters, it is down pretty significantly from the third quarter of last year, but recall, the third quarter of last year included a very large order from the U.S. Navy.

Our backlog remains strong, just 4% off its record high, at $90.5 million. Included in the $90.5 million is $8.6 million related to Energy Steel, so just under 10% of our backlog is related to Energy Steel. Within the third quarter, our book-to-bill ratio, while improved, was still slightly below 1.0, and, again, we expect to continue to see a stronger level of orders going forward.

Flipping to the next slide, looking at the gross margins and looking at profitability, in general, as expected, the gross margin in the third quarter was lower than it had been recently, and it was really driven by a mix of projects in production. As Jim had mentioned, we're working through some lower-margin projects that came in-house about a year or so ago, and if you look at the second quarter, we had a couple of higher-margin projects move into the second quarter and then lower-margin ones move to the third quarter, so that really identified the drop from the second to the third quarter. The operating margins also were in a decline commensurate with the gross margin change.

Looking at SG&A spending, it remains under tight control and at the lower end of our expectation. The decrease in SG&A as a percent of sales has continued to date, as we have kept SG&A dollars fairly flat despite the recent increase in sales. We do, however, expect SG&A dollars to rise as we invest resources to support our future growth, as Jim had mentioned. As well, we will be adding the Energy Steel SG&A dollars onto our base load.

Looking at the next slide, our outlook for updating our fiscal 2011 full-year guidance, as Jim mentioned, we expect a revenue range of $69-72 million, inclusive of Energy Steel. We expect full-year gross margins to be 28% to 30%. On a year-to-date basis, they are 29%. SG&A, we expect to be between $12.4 and $12.8 million, which would suggest a Q4 SG&A between $3.9 and $4.3 million. Much of that increase versus our year-to-date run rate is the addition of Energy Steel. We continue to expect gross margins at the peak of the next cycle to be in the mid to upper 30% range and SG&A to be in the mid-teens, but we believe we're still a couple of years away from seeing that peak level.

If you look at the next slide, this is a slide that we've shared before, which really shows how Graham has changed from its past cycles to our current business and financial model in this most recent cycle. While we don't enjoy down markets, you can see in this most recent down market, we were pleased to see that our performance in that down market, at an EBITDA level of over 12%, was actually above what our previous peak EBITDA margins were in earlier cycles. So, we continue to have the focus to maximize our EBITDA margins at the top of cycles, but also look and have an acceptable EBITDA margins at the bottom of the cycle, as we've seen in this last performance.

Finally, looking at our balance sheet, we utilized $18 million to purchase Energy Steel in the third quarter. As well, over the last three quarters, we've seen $8 million of our excess customer deposits come down. With all that occurring, we still have $48 million in cash and no bank debt. With the year-to-date reductions in the excess customer deposits, we think that is probably now, instead of the $14-16 million where it had been at the beginning of the quarter, probably $6-8 million above a more normalized level. So, subtracting that out from the $48 million of cash, we believe we have around $40-42 million of free cash to invest to grow the Company in the future, and we will certainly be looking at that. We definitely want to make sure that we get the Energy Steel acquisition fully integrated and we're very comfortable with that, and subsequent to that, we will continue to look for acquisition opportunities in the long term.

With that, I'd like to turn the floor over to questions, and thank you very much for your time.

Operator: Ladies and gentlemen, we'll now be conducting the question-and-answer session. If you would like to ask a question, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star two if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star key. Once again, if you'd like to ask a question, please press star one on your telephone keypad at this time.

Our first question is coming from Rick Hoss with ROTH Capital Partners. Please state your question.

Rick Hoss: Hi, good morning.

James Lines: Good morning.

Rick Hoss: Jim, remind me, what's your win rate in China? Pick a period, five-year, four-year, whatever you think can demonstrate the success you're having there on larger, more significant refining or petrochemical, fertilizer projects.

James Lines: Up until 2006, we did not have an installation in China for a vacuum distillation service in a refinery. That's the very large ejector system that we sell routinely throughout the world. So, we hadn't had an installation in China up to that point. We entered China at about that time with a focus on the refining sector because we knew they would be expanding. Over that period of time from, really, calendar 2007 to end of calendar 2010, there was about 3 million barrels per day of additional distillation capacity added, and we had won about two-thirds of that. We've won nine of the—actually, of the installations, we've won nine of about 17. The majority of the distillation capacity is defined as barrels per day. It's a higher capture ratio that the number of wins.

Rick Hoss: Okay.

James Lines: We've done well. We think we have a very strong market position, certainly above 50% market share, if we look at that period of time, 2007 through 2010, when we entered the market. Our team focused on positioning our brand, demonstrating the value that's with the Graham brand, and executing extremely well on the orders that we won to move ahead of our European competition and a local competitor that we see from time to time on smaller projects. So, I've been very pleased, and I think we dominate that market right now.

Rick Hoss: Would you say, in the latter years, you have a greater share versus the earlier years? In other words, are you taking share today versus when you initially entered that market?

James Lines: That's correct. The first couple of years, we were still finding our way, perfecting our model. The last two years, our capture ratio, actually, has been much higher.

Rick Hoss: Okay, that makes sense. Then, can you give us an expectation for how orders are tracking so far in the fourth quarter? Do you feel that there is the potential to have fourth-quarter orders higher than the third quarter, or is it too early to tell?

James Lines: I think there's a really good pipeline with Energy Steel. We're hoping to have a strong bookings quarter with them. They have a number of large projects that they're tracking. Our sense is they will close in the quarter and, should they do so, they'll have a very nice level of bookings. For the core business, the pipeline is, really, just incredible with the amount of work that we have that we're focused on. To be above the $17.8 million, I think that's very probable, but there is a chance, based on timing, that the orders in the pipeline don't move to procurement and we could come in below that, but I firmly believe, based on what our sales team is advising, that there's a rich pipeline of opportunities expected to close in the quarter, and I feel we're in pretty good position on most of them.

Rick Hoss: Okay. So, I guess, a more fair question would be your six months' outlook is certainly above the past six months, from a booking perspective?

James Lines: Absolutely. I feel quite confident that we'll beat at the first half of fiscal '11, because we pretty much did so in the third quarter.

Rick Hoss: Okay. Then, remind me, did Energy Steel, did it have a quicker conversion of backlog to revenue?

James Lines: That's interesting, because, like the core business of Graham, they have some short-cycle business that comes in and out in a month to one quarter, and then they have longer-cycle sales, like Graham, that may be in backlog for six to 15 months. It's a similar split, maybe one-third short cycle, two-thirds long cycle, so that's pretty similar.

Rick Hoss: Okay. Then, the last question for me, what are you doing to mitigate raw material? I know that you typically build it into the contracts due to the length of your contracts, but what are you seeing with your outlook, et cetera?

James Lines: The outlook is for rising material costs. We're staying ahead of it, I believe, without repricing our products. We're staying current for our major contracts, getting up-to-date pricing right up to the day we get the order so we know what our material costs are. Then, as we've shared with everyone before, our policy, after we have an order, is to procure, very shortly after we've won the order, the volatile materials so we lock in any cost creep exposure. We've done very well over the last three or four years, it's been a very volatile metals market, and our team's done well to stay in front of it, and our procurement policy is such that we do well to retain margin, if not improve our margin, through procurement strategy, and I don't see that changing.

Rick Hoss: Okay. I know a couple of quarters back you had a pretty decent benefit to EPS based on that strategy. Does it work better in an inflationary environment, or it really doesn't matter?

James Lines: It worked better at that point in time because the demand in the supply chain just wasn't there, so the suppliers were incredibly hungry, and our procurement team took advantage of that to find the hungriest suppliers to negotiate the best prices. I found that to be more unique to bottom of the cycle, light demand, and our procurement strategy to get at it and take advantage of it. As demand starts to increase in the supply chain, some of that capability goes away because there's such strong demand.

Rick Hoss: Okay, fair enough. Thank you

James Lines: You're welcome.

Operator: Your next question is coming from Dick Ryan with Dougherty & Company. Please state your question.

Dick Ryan: Thank you. Say, Jim, the contract you mentioned in backlog that's on hold—I believe it was around a million—any sense whether that, given the better environment out there, does that come off hold?

James Lines: Our sense with that one, Dick—it's a refinery in Africa. We're having conversations with our customer now, that our sense is it's going to be coming off of hold and will be released into production, with delivery sometime in the latter half of calendar '12. So, we feel positive that should get released. We may do a change to the engineering which could delay when it's released, but our sense is, based on the feedback we're having from our customer, it's coming off hold.

Dick Ryan: Okay. You mentioned seeing some margin improvement or pricing improvement on contracts. Are you seeing that in Energy Steel, as well, or is that more descriptive of your core business?

James Lines: I would say that's more descriptive of our core business, and I'll be better able to comment on that, probably, in the May/June call after we've had more time with Energy Steel.

Dick Ryan: What sort of feedback have you gotten to date from either their customers or others in the industry now that you own them?

James Lines: We've gotten very positive feedback of a smart acquisition, a good decision, and the customer base likes the long-term potential to see what the combination of what Graham brought to the table and the strengths that Energy Steel had, so it's been a very favorable response across the customer base and those serving the nuclear market.

Dick Ryan: Okay. One last one. You talked briefly on the rising material costs. In your conversations with customers, is that a factor, that they might start moving some of these projects to the left a little bit if they're getting concerned with pricing, as well, trying to get in the queue ahead of further increases?

James Lines: We haven't seen that. That was something we clearly did see in the 2007/2008 timeframe. I think it's too early in the market recovery to expect that type of behavior by our customers. They are aware of rising material costs, we are in conversations with them with respect to how it affects the price, but we haven't seen a move to the left.

Dick Ryan: Okay. Great. Thanks, guys.

James Lines: You're welcome.

Operator: Our next question is coming from the line of Chris McCampbell with Stifel Nicolaus. Please state your question.

Chris McCampbell: Morning, guys.

Jeffrey Glajch: Good morning, Chris.

James Lines: Good morning.

Chris McCampbell: Could you give a little color on what's going on with the oil sands business, maybe in comparison to the last cycle, as far as Graham is concerned? Also, I kind of hate to ask about other acquisitions now that you just made one, but maybe if you could talk about where you are in the process of finding other opportunities. Thanks.

James Lines: Okay. I'll take the first section of that question. Oil sands, we're very optimistic about oil sands and where it is today. We see investment happening in the extraction side, and that's the order that we won recently, which was a new type of application for Graham on the extraction side. We hadn't really participated there before. But there's a lot of investment going on in extraction capacity, therefore, new bitumen capacity, and there's demand there for our products now with the solution that we provided in the recent order. Then, downstream of that, for the upgraders, we're seeing—there really was a stop to investment in upgrading activity about three years ago, but we now are seeing a couple of projects move back onto the table where we're doing early-design work, some engineering studies, and it's beginning to feel positive again that investment will be made. It was our sense about a year ago that we didn't think upgrading investment would take place until calendar '12, and I still think we're tracking towards that.

Chris McCampbell: Okay.

James Lines: But what's important is we're now serving two ends of the oil sands sector, the extraction side and the upgrading side. So, again, we've enlarged our addressable market with some strategies that we undertook during the downturn to get at another piece of the business that we hadn't served before.

Chris McCampbell: Jim, how does that compare to the last cycle? I mean, I don't recall how much business you all actually got out of that last time.

James Lines: Well, on the upgrader side, these are massive projects. It's been our experience, and if history repeats itself, we didn't really see more than two go in a 24-month period, the way the projects pace and the resources that are required for these massive projects. But, for us, it's great business, it's great incremental business, it's an area that we have a strong brand and a good market share, but it's not as though we would expect five or six projects to come together in a 12-month period; we would expect one or two. The ASP on that would be $3 to $8 million per upgrader.

Chris McCampbell: Okay.

Jeffrey Glajch: Chris, this is Jeff. On your second question, we took a good amount of time to make sure we found the right acquisition the first time. We're very happy with Energy Steel. They met our market criteria, they met our business criteria, and they met our managing criteria with having a strong management team and a quality focus. All those things came in line and we're very pleased with that. We are continuing to look. We're going to make sure that we fully integrate Energy Steel within the Graham family, and then we'll continue to look while we're doing that. I'm not expecting anything in the immediate term, but, certainly, if the right opportunity comes up, we'll pursue it. So, I can't really give you a timeframe other than to say we want to make sure we get this one integrated cleanly first and then we'll move on. We, obviously, have a good balance sheet, as well, with our new facility with Bank of America, we have quite a bit of flexibility on debt, if we decide to go with an acquisition large enough to require some debt, but, again, I wouldn't be looking for something in the immediate future, we want to make sure we integrate this one cleanly first.

James Lines: A key point with that is, while we've acquired Energy Steel, our acquisition program is still active, and we're still looking.

Jeffrey Glajch: Yes, we are still routinely looking at what's out there and, again, if something comes up, we'll pursue it, but we want to make sure we get this one in-house and clean first.

Chris McCampbell: Yes, sure. Okay, thanks.

Operator: As a reminder, ladies and gentlemen, if you would like to ask a question, please press star one on your telephone keypad.

Our next question is coming from the line of Scott Blumenthal with Emerald Advisors. Please state your question.

Scott Blumenthal: Good morning. Thanks for taking my call.

James Lines: Good morning.

Jeffrey Glajch: Morning, Scott.

Scott Blumenthal: Jim, I think it was last quarter, possibly the previous quarter, you talked about, you telegraphed the lower-margin composition of your backlog and how you expected that to persist, probably, until the end of the fiscal year here. Can you talk about the composition of what you currently have in backlog and what your feelings are with regard to that?

James Lines: Sure. As you indicated, we felt Q3 and Q4 would have a margin squeeze because of the margin in the backlog that was being converted to revenue at that time.

Scott Blumenthal: Right.

James Lines: As we look, on average, at the margin in the backlog, it's higher than what's being converted to revenue. The suggestion there is, as we get through that lower-margin backlog, we'll have margin lift as we get to the higher-margin work, and we'll also have the benefit of leverage as the throughput—well, the revenue run rate and pricing rate's going to be higher at that point in time. We have to deal with the realities of Q1 and Q2, which were about $18 million of total bookings need to push through to business, and they're pushing through, really, a little bit in Q3, a lot in Q4, and somewhat into Q1. Once we get this behind us—it's pretty much behind us, I think, in Q4—the average margin of the backlog is superior to what we're producing now, it will provide a nice lift to the margin.

Scott Blumenthal: Okay, that's really helpful. Thank you. And just with regard to the quarter that we're talking about now, I saw that you had a sequential increase in backlog even though book-to-bill was, as you mentioned below one, which would suggest that your short-cycle businesses are doing, really, pretty well. So, can you talk about, specifically, the short-cycle businesses and kind of what you saw during this quarter and how you've seen that maybe accelerate into the current quarter?

Jeffrey Glajch: Sure. Actually, the growth in the backlog in the quarter was really due to the acquisition of Energy Steel. Adding Energy Steel on top of our Q2 backlog was really what pushed it up. With regard to short-cycle businesses, they have been a little stronger, I'd say, in the last quarter or two than they had been previous to that. But, really, the $7.2 million jump in the backlog was due to adding over $8.0 million of Energy Steel backlog onto our existing backlog.

Scott Blumenthal: Okay, good enough. Thank you both.

James Lines: You're welcome.

Operator: As a final reminder, ladies and gentlemen, if you would like to ask a question, please press star one on your telephone keypad at this time.

We do have a question coming from Walter Lang with Avondale Partners. Please state your question.

Walter Lang: Hey, good morning, guys. I was curious if you're seeing any increase in activity in U.S. refiners, given the improvement in crack spreads in the recent past?

James Lines: We're seeing some early inquiry activity. To be candid, though, we think it's not near-term purchase opportunities that we're working on. We don't see much of the pipeline really tied to the U.S. refining market, with pipeline or bookings, pipeline tied to the U.S. refining market. There are a few, it's nice to see a few, but it's not at a point where we saw it in '04, '05, '06.

Walter Lang: Okay. Thank you.

James Lines: You're welcome.

Operator: We do have a follow-up question coming from Scott Blumenthal with Emerald Advisors. Please state your question.

Scott Blumenthal: Jim, is there any opportunity for you in shale gas, as I sit here on top of the Marcellus?

James Lines: There could be—not necessarily at the extraction, if you will, but conversion of the shale gas to petrochemicals or chemical or fuels, there will be some process applications that require vacuum and heat transfer equipment, and that's where we fit in. Yes, but not on the extraction.

Scott Blumenthal: Okay. So, you would be, then, a beneficiary, I guess, as the opportunity evolves kind of towards the mid- to end-late part of the cycle?

James Lines: That's correct.

Scott Blumenthal: Okay. All right. Thank you.

James Lines: You're very welcome.

Operator: Gentlemen, it appears we have no further questions. I'll now turn the floor back over to Jim Lines for closing comments.

James Lines: Thank you for your time this morning. We are very encouraged by our third-quarter results, our forecast for the remainder of the year and, most importantly, getting through this trough and into the expansionary period that we believe we're in the early stages of. I feel we've done the right things during the downturn to provide different and additional avenues for growth, and we focused on improving the core business, and we've added Energy Steel to Graham. We're very excited about the next many years for our business and I look forward to updating you on the, I guess, May conference call that we'll have. Thank you.

Operator: Ladies and gentlemen, this does conclude today's teleconference. You may disconnect your lines at this time, and we thank you for your participation.