Operator: Greetings and welcome to the Graham Corporation's First Quarter 2012 Quarterly Results. At this time, all participants are in a listen-only mode. A brief 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, Ms. Deborah Pawlowski, Investor Relations for Graham Corporation. Thank you, Ms. Pawlowski. You may begin.

Deborah Pawlowski: Thank you, Jackie, and good afternoon, everyone. We appreciate your joining us today on Graham's Fiscal 2012 First Quarter conference call.

On the call, I have with me today Jim Lines, President and CEO; and Jeff Glajch, Chief Financial Officer. Jim and Jeff will be reviewing the results of the quarter and also providing review of the company strategy and outlook.

On our website, at *graham-mfg.com*, you will find both the news release, as well as supplemental slides that the guys will be talking to here today.

So, as you may be 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.

Jim Lines: Thank you, Debbie. Turning to slide 4, highlights for the first quarter, I feel we had a very strong first quarter for fiscal 2012. Our traditional sales expanded by 58%. Energy Steel provided $3.9 million in sales. We saw strong sales growth for the Middle East; in particular, two projects for Saudi Arabian refineries and for South American refineries.

Our sales mix geographically was 55% international; 45% domestic. From an end-use market perspective, our sales mix was 48% for the oil refining markets and 22% to power generating markets, including the nuclear market; 12% for petrochemical markets.

Our order intake had $5.1 million of orders from Energy Steel for the nuclear market; another 1.8 million within the power market sector from renewable energy and alternative energy markets; $5 million in orders for oil refining markets. Our bidding activity still remains strong and diverse across our market mix. Orders were 37% for power generating markets and 32% for oil refining markets.

We had a strong margin in the first quarter, with gross margin at 32.8% and EBITDA margins of 20%. This was due to better leverage on higher sales. We also had a strong mix of more profitable orders in the quarter, and we've converted much of the low margin backlog that went through our sales in Q2, 3 and 4 of last year - pretty much through our backlog now, so that's also helping lift margins.

Turning to slide 5, as you can see our guidance for fiscal 2012…the midpoint is $100 million. We're projecting about 50% international, 50% domestic. Within that projection for fiscal 2012, we are projecting that traditional product growth, including the Navy, will expand by 20% to 25% and, with Energy Steel, that yields about a 35% top-line expansion for the business. Two-thirds is from traditional products and one-third from the acquisition of Energy Steel. We will also see a large amount of the Navy order converted during fiscal 2012.

Turning to slide 6, in Q1, Energy Steel again provided 5.1 million in new orders, 3.9 million of sales. The backlog as of June 30 at Energy Steel is $9.7 million. We are seeing a good amount of bid activity by Energy Steel within the existing US plants, and also we have some activity around new construction in the US market that Energy Steel is pursuing, as well. We see a huge addressable opportunity for Energy Steel in new construction with a long-term perspective. It's not necessarily immediately in front of us, but from a longer-term standpoint, we see a lot of opportunity there.

On to slide 7, our outlook for fiscal 2012 remains unchanged; revenue between $95 and $105 million, Energy Steel being 16% to 20% of that total revenue; again, traditional product growth rate in the 20% to 25% range; gross margin, we're projecting to be between 29% and 32%; with SG&A between $16 million and $17 million.

Our priorities in fiscal 2012 are to advance our market share in our traditional markets of oil refining and petrochemicals, primarily in Asia and South America where there is a good amount of bid activity now; continue to maintain our strong market position in the Middle East; and also to defend and dominate our position in the North American markets for oil refining and petrochemicals.

We also wish to expand the capabilities of Energy Steel to increase their sales and profitability by exploiting the synergies of Graham engineering and fabrication capabilities, and by aggressively pursuing sales to US nuclear utilities, and also capitalize on new opportunities for new construction. Moreover, we will continue to push the naval nuclear propulsion program. I am very pleased with our progress thus far. This is a long-term strategy, and I am very pleased with where we are at this point in time; and we will also consider and evaluate additional acquisitions as part of our growth strategy.

With that brief overview, I will turn it over to Jeff to give more detail on the financial results for the quarter.

Jeff Glajch: Thank you, Jim, and good afternoon everyone.

As Jim mentioned, we had a strong start to fiscal 2012. Sales in the first quarter are $25 million, up $11.6 million, or 87%, compared with the first quarter last year. Organic growth was 58% of this; the remaining $3.9 million was from Energy Steel. Sales in the first quarter were 45% domestic, 55% international, which is slightly closer to more domestic business than it was last time. Graham's historical markets continue to be tilted more toward international; however, Energy Steel is almost exclusively domestic.

EBITDA margin in the quarter was 20%, up from 12% last year. Q1 net income was $3 million, or $0.30 per share, up from $900,000, or $0.09 per share, in Q1 last year; and as expected, as we've communicated in the past, Energy Steel continues to be accretive to earnings in this quarter, as it has since we purchased the business.

On the next slide, looking at backlog, orders in the first quarter were $19 million, up from $8.1 million in the first quarter last year. Included in the first quarter orders were $5.2 million from Energy Steel, which continued to add to its backlog. Backlog at the end of June was 85.2 million, down from 91.9 million at the end of March. Energy Steel's backlog is up to $9.7 million, as its orders continue to be strong. Finally, as we mentioned in the May call, we have no orders on hold by our customers. The last order which had been on hold, for just over $1 million, was reinitiated by our customer earlier in the first quarter.

On slide 12, gross margin in the first quarter was 32.8%, up from 28.8% in the first quarter last year, and up sequentially from 30.5% in the fourth quarter of fiscal 2011. SG&A in Q1 was 14.8% of sales, down from 19.2% in last year's first quarter, and at a similar level that we've been at in the last two quarters of fiscal 2011.

Operating margin was 18% in the first quarter, up from 9.6% in last year's first quarter, and 15.4% sequentially.

On slide 13, our cash position continues to be strong, with $41.1 million of cash and no bank debt. In fiscal 2011, we used $18 million of cash to purchase Energy Steel. We believe we are well positioned to utilize this cash for future acquisition activities, as well as internal growth opportunities. We are very pleased with the acquisition of Energy Steel, its performance, the strength of its management team, and its nice fit into Graham. We are continuing to look for new acquisition opportunities going forward. We intend to use the same discipline and thorough methodology as we did with Energy Steel. We believe it's not whether we make a new acquisition that's important, but rather that we make the right acquisition.

Finally, to reiterate Jim's comments on the full fiscal year, we expect revenue growth of 30% to 40% to be between $95 million and $105 million. Of this growth, there's organic growth between 20% to 25%, with the rest of the growth coming from Energy Steel. Energy Steel is expected to provide 16% to 20% of Graham's overall revenue in fiscal 2012; gross margins are expected to be between 29% and 32%; SG&A between $16 million and $17 million; the tax rate is unchanged, expected to be between 33% and 35%; and, as we discussed in May, we expect capital spending to be between $3 million and $3.5 million as we look to upgrade our facility in Batavia.

With that, I'd like to thank you for your time and your interest in Graham, and open the lines for questions. Thank you.

Operator: Thank you. We will now be conducting a 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 would 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. One moment, please, while we poll for questions.

Our first question is coming from Rick Hoss of Roth Capital Partners.

Rick Hoss: Jim, Jeff, Debbie, good afternoon.

Deborah Pawlowski: Good afternoon.

Jim Lines: Good afternoon.

Jeff Glajch: Hi, Rick.

Rick Hoss: On Energy Steel, the 4 million or so in sales, is there seasonality with the business, because it seems to be—for this particular quarter, it seems to be a little bit lower than the run rate and the growth rate, et cetera?

Jeff Glajch: Rick, this is Jeff. There is a little bit of seasonality, really, around when facilities are shut down and when they start back up. The 4 million was—or the just under 4 million was actually in line with what we expected for this quarter, but there is a little bit of seasonality.

Rick Hoss: Okay.

Jim Lines: Just to add a bit to that as well. With the floods in Nebraska, there were two delayed shipments that were outside of Energy Steel's control, due to the inability of the utility to come in for mandatory inspections before progressing with further production on the orders. We didn't have control over that, but it did affect the overall revenue in the quarter for Energy Steel.

Rick Hoss: Okay, that makes sense. Thank you for that. Then, what are you hearing about the NRC review? I think they finished it up and I think that, if I read correctly, there's quite a bit of suggestions for facility improvements and additional infrastructure, safety, et cetera. What are you hearing from your customers?

Jim Lines: Well, the report is relatively new, but what is encouraging to us is the findings that relate to additional safety measures around secondary cooling and extending the ability of the plant to operate with electrical power outage. We think both those initiatives should create demand for Energy Steel and Graham products.

Rick Hoss: Okay. And, then, Jim, we have focused on bigger picture, on more the cycle, thinking about where the company traditionally has visibility for several years out, as you're starting work on projects. You know, it's a two-three year type of process where you start the proposals, the engineering, and go from there. What do you have visibility into? How many years out are you confident in a cyclical recovery and a growth trajectory for demand for your products?

Jim Lines: What's really great about our sales model is, as you are inferring, we do get involved very early during project concept and initial front-end engineering design work before a project is funded. There's a great deal of bidding activity that we're involved in that relates to that type of work. I've made comments on prior conference calls that it does feel to us as it felt back in 2003 and 2004, with respect to how the projects are beginning to percolate through the pipeline, and it's continuing to build and the number of projects and announcements have hit the inflection point pretty strongly, primarily in the Asian markets. These are all encouraging signs. So, as I said in prior conference calls, it feels to me, and to our sales management team, that it's like it was back in the 2003/2004 timeframe; and the qualitative remark there, most importantly, is it's just a matter of time before that converts to real bidding activity and orders and then translates into sales. So, we feel pretty confident about the longer-term view, as we did in 2003 and '04. It's less clear to us this quarter or next quarter, but our view long-term is very optimistic.

Rick Hoss: Okay, and if we were to graph out the demand from the last cycle, it would almost look exponential to a certain degree. Are you expecting this similar type of pattern, where it starts out slowly and then it builds and accelerates and accelerates and then we hit peak?

Jim Lines: Well, there's always that possibility that the past plays out again. One of the things that we observed in the last cycle is too many projects came too quickly and the supply chain couldn't handle it, and that escalated overall costs to the owner. Invariably, and quite honestly, I prefer to see it pace a little more slowly so we can capitalize and take more market share of the available opportunities of this expansion. How it actually rolls out, we'll actually have to watch and see, but we are encouraged in general by the amount of bidding activity and the type of bidding activity, suggesting that there's a multi-year expansion at some point here in the future.

Rick Hoss: Okay, and then last question, with additional work coming from Asia and China, what does that do to gross margin?

Jim Lines: It does have an effect to put pressure on gross margin. Now, in view of that, and as we indicated back in the late 2008/2009 timeframe, we felt we were going to experience margin pressure due to our sales mix becoming more internationally weighted. The management team is focused on gaining capacity and proving productivity to defend our margin on a given sales dollar through cost and productivity improvements, while, comparatively, the price pressure is there. So, we've done some things to prepare the business for those headwinds. There is margin pressure internationally, but we have not stood still in response to it.

Rick Hoss: But it shouldn't be something that would deviate from the historical trend of—within the cycle, you have revenue growth and you have gross margin expansion simultaneously.

Jim Lines: That's correct, and what we said is, as we go into the hotter periods of the next expansion, we would expect the upper end of our gross margin range to be in the mid to upper 30's, whereas before, as you might recall, we did eclipse 40%. We're going to go at it again with the same vigor, but we do expect to be in that mid to upper 30 range at the next peak, but at higher volume.

Rick Hoss: And with that hotter period, as you term it, then we would also potentially have growth rates above the 20% to 25% organic that you are implying with your fiscal '12 guidance?

Jim Lines: I'm going to restate what I think I heard you say, to make sure I got it right. We've implied that the traditional product growth rate might be above 25%. Is that what the question was?

Deborah Pawlowski: Rick, are you there? Jackie? Hello?

Operator: Yes, he's no longer in queue.

Jim Lines: Okay, as we model the recovery, we tend to think of our traditional product growth rate as it was last time, somewhere in the upper teens to the mid-20's, depending upon what year. The overall growth rate to the last cycle was about 25/26%. We see a great opportunity here as well, in this next expansion, where that's possible. To achieve a traditional product growth rate above that, that is possible, but we'll have to see how the project pace is, as well as our ability to gain capacity within our organization to execute at a higher level.

Operator: We do have Mr. Rick Hoss back in queue.

Jim Lines: Sorry, Rick, if I did not actually answer your question.

Rick Hoss: Can you guys hear me at all?

Deborah Pawlowski: Yes, we can hear you now.

Rick Hoss: Okay, great. Yes, I think you answered it. I got disconnected for some reason. It was, basically, you're implying—with your fiscal '12 guidance, you're implying a growth rate of 20 to 25, and with your comment, you described the cycle as having a hotter period of it, and so my question was, well, does that hotter period imply a growth rate higher than the 20 to 25 that you're currently putting out there with guidance, and I think you answered it as, yes, there is potential for that to happen.

Jim Lines: I did, yes.

Rick Hoss: Okay, thanks guys.

Jim Lines: You're welcome.

Operator: Thank you. Our next question's coming from Joe Mondillo of Sidoti & Company.

Joe Mondillo: Good afternoon, everyone.

Jim Lines: Hi, Joe.

Jeff Glajch: Hi, Joe.

Joe Mondillo: My first question was just sort of a follow-up on two questions earlier. One, how much did that order that you sort of lost some of it, Energy Steel, due to the flooding in Nebraska, how much did that account for?

The other follow-up was, do you know anything specifically how you're going to benefit from the suggestions that the new regulations that the NRC has put out there, specifically within your business, or is it just sort of—it sounds positive there's going to be more regulation out there and it sounds potentially that you're definitely going to benefit from?

Jim Lines: The first question, the push out was between $250,000 and $500,000 that fell out of the first quarter and will be realized in our second quarter, due to the flooding at two utilities in Nebraska.

With regard to the NRC regulations, and if we refer back to the 9/11 timeframe when new regulations came out, it takes about 12 to 18 months before they get into the supply chain. Qualitatively, what we're reading is it should create demand for Energy Steel and Graham products, we need to learn more what specifically needs to be done, but the high level comments are around additional cooling, secondary cooling and to be able to operate for a longer period of time with a loss of power, and we can envision that will drive demand for Graham and Energy Steel products. To be specific about it, it's too premature.

Joe Mondillo: Okay, that's fine. My second question has to do with sort of the backlog and what that looks like. What percent of the backlog are you expecting to hit in fiscal '12?

Jeff Glajch: I think we said 85% to 90% of that would go over the next 12 months, and, typically—for this year, we're probably thinking roughly 75% of that will go over the next five months, 75% of the total.

Joe Mondillo: Okay, okay. So, looking at the rest of the backlog, what kind of margin are you seeing in your fiscal '13 backlog?

Jeff Glajch: The fiscal '13 backlog primarily is due to Navy contracts. I don't really want to disclose that margin.

Joe Mondillo: Okay.

Jeff Glajch: I will qualify that it's comparable to the average margin of Graham. It's not extraordinarily on the upside or on the downside.

Joe Mondillo: Okay, and then seeing that you brought up the Navy, my next question, I guess, has to do with that. How much of the 95 million to 105 million of sales guidance is associated with the Navy this year?

Jeff Glajch: Yes, ballpark, around 10%.

Joe Mondillo: Okay, and then how much left over, I guess, of that Navy contract, are we going to see following this year?

Jim Lines: We have more than half of it left exiting 2012, and of what's left, the majority of it we'll book in 2013, but there'll be a piece of it that goes into 2014 also.

Joe Mondillo: Okay, and can you remind me how much that total contract was?

Jim Lines: It was in excess of $25 million.

Joe Mondillo: Okay, and if you could just talk about the relationship with the Navy. I think you said in your prepared remarks, you know, that relationship's going well. Have you seen any new orders, or, you know, how do you foresee that relationship going forward?

Jim Lines: Sure. We've had the Navy, two of their shipyards, and a couple of their procurement contractors come through and do audits of Graham, and in each case, the comments were very positive around employee engagement, the Company's focus on safety, the professionalism of the management team, and the way in which the Company has executed the Navy order we have now has received very high praise from the buyer. We have secured engineering-only orders for initial concept engineering on some submarine work, so that suggests to us that we are progressing in the right direction. We're demonstrating to the Navy that we are a credible supplier, a highly capable supplier to execute their very complicated orders, and it's all moving very well from my standpoint.

Joe Mondillo: Okay, and that secured engineering work is sort of new work that you've received in the first quarter?

Jim Lines: We received it in the fourth and first quarter. They're smaller orders. They don't really move the needle, but they're more foundation orders. They lay the stepping stones to the larger orders.

Joe Mondillo: Right, understood. I guess one of my last questions has to do with the chemical processing markets. Could you just give a little color on what's going on there and why that's been fairly stable for you guys? Is that just a macro factor, or what's going on there?

Jim Lines: Largely, the chemical, or petrochemical, activity that we have in sales and/or bookings has been for the international markets, primarily in Asia, where they have continued to build—not in the same pace as the mid-2000s, but they have continued to build ethylene crackers, which to us is a nice indicator of the early stages of the next recovery, and we think that recovery will be led by the Asian and Middle Eastern economies.

But, more importantly, another aspect that's occurred relatively recently has been strengthening in the domestic petrochemical market tied to the new natural gas finds, and, as you may know, the primary feedstock to the US petrochemical industry is natural gas. The cost of that feedstock now has come down appreciably, so we are seeing some early stage bid work on reactivating some petrochemical plants in the US that were shut down due to high cost of natural gas in the early 2000s. So, that's a very encouraging sign. We think that's longer term very beneficial to us, and we're seeing some early stages of traction there with some initial bid work.

Joe Mondillo: Okay. So, the past three quarters where you've been sort of floating around that 3 million range, international growth is still very strong, but you haven't seen a rebound because the growth in the US just hasn't been there, but you're sort of expecting that that could rebound in the future. Is that correct?

Jim Lines: Yes, and moreover, the pace of the expansion in the Asian or international markets is not one that would suggest it's a full petrochemical market recovery, but we think that's in the future.

Joe Mondillo: Okay, understood. Then, finally, just coming back to my question on margin, just generally speaking on the backlog, is it sort of a progressively improved margin profile as you go out quarter to quarter to quarter in the future?

Jim Lines: With our type of sales process, the margins in our backlog or the margins for any given order can vary greatly. On a prior conference call, I think it was two calls ago, the question came up and I indicated that the average margin of our backlog was in excess of the margin for the sales being realized. That suggested that we would see margin lift in coming quarters. We saw that in Q1, as the quality of the backlog was higher as it was converted into sales. So, we are seeing an improvement in Q1, and we expect that improvement to carry into Q2, as we convert more profitable orders from our backlog into sales.

Joe Mondillo: Has pricing changed at all in the orders that you're receiving?

Jim Lines: As a general comment, I would say, no. I don't think the market has fully recovered from where the pricing really has meaningfully improved.

Joe Mondillo: Okay, great. All right, thanks a lot.

Jim Lines: Thanks, Joe.

Joe Mondillo: Thank you.

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

Our next question's coming from Dick Ryan of Dougherty.

Dick Ryan: Hi, good afternoon. Say, Jim, moving beyond kind of the engineering work with the Navy on some of the submarine business, is the certification complete or nearing completion to get the necessary clearances?

Jim Lines: Yes, I don't think that's a deterrent in winning future work. I think we're at the point now where we're considered, for all intents and purposes, a qualified supplier, and we'll be bidding on new construction for sub work.

Dick Ryan: Okay. I was just looking for the timing, so that looks like that's being taken care of. You talked about the North American refining market, but I think in your earlier comments you had something about new construction, new nuclear construction with energy. Can you talk a little bit more about what you're seeing there?

Jim Lines: Well, what we did see immediately after the Fukushima incident was a couple projects in the US went on hold. What we have seen, though, is projects that were using the AP1000 reactor technology are still advancing. We're bidding on a couple of those projects. A real litmus test will be will those projects move to procurement, and our sense is yes, and we'll know a little bit more over the second half of the year.

Jeff Glajch: Ultimately, those facilities which are in South Carolina and Georgia need to get licensing approved before they can move forward, and they're in the licensing approval process right now.

Dick Ryan: Mm-hmm. Are you agnostic to nuclear design or are you kind of tied with the

AP1000 with Westinghouse, or how do you view that opportunity?

Jim Lines: We're not aligned with any particular technology. It all provides opportunity for us. We think the passive cooling technology of the AP1000 is putting them, at this point, in a position to move forward with new reactor designs for new plant construction, but from a demand—creating demand for Energy Steel and/or Graham with our traditional products, we are agnostic.

Dick Ryan: Any international opportunities developing yet for Energy Steel?

Jim Lines: Nothing meaningful. We've done some missionary work to understand the activity in China. That will be a longer-term process, to get ourselves in a position to capitalize on that. While having said that, I do expect there's opportunity to win some smaller orders for Chinese reactors, but to meaningfully move the needle, if you will, I think that's a longer-term process for us. There's a fair amount of missionary work that has to be done to capitalize on that more fully.

Dick Ryan: Okay. Can you comment, Jim, on oil sands projects, what you're seeing there from a bidding perspective?

Jim Lines: Sure. Actually, when we went into the downturn, you might recall that we indicated that the upgrade, which is where Graham traditionally have provided its products, we wouldn't expect to see activity in the upgrading side of the oil sands until around 2012. We've begun to see, and we are involved in, a couple of projects that are kicking off or re-kicking off that were idle at the start of the downturn. So, those are very encouraging signs. These are pretty large projects for us, and we're seeing initial engineering work get restarted. We don't feel procurement is in the next one or two quarters, but what's really good is they're moving ahead, and everyone's more optimistic.

And, secondarily, as you might recall, Dick, we've moved into the extraction side, which we had not been in before, which has had more consistent levels of investment throughout the downturn, whereas upgrading was actually put on a pause for a couple years. So, in general, we're seeing new vitality, and we're also hearing from our US refining customers, that they are again considering revamp projects to configure their refineries to be able to process the crude oil that's being produced from the oil sands.

Dick Ryan: Great, great. Thanks, guys.

Jim Lines: You're welcome, Dick.

Jeff Glajch: You're welcome.

Operator: Thank you. Our next question's coming from George Walsh of Gilford Securities.

George Walsh: Jim, could you discuss the psychology a bit of your customers going forward? I mean, it looks like they're all moving forward with projects and there are no real skittishness out there in the market you're seeing. I mean, the one that was an order on hold, you don't have that situation anymore. I guess that was related to, as you mentioned just before, the Energy Steel business. So, it seems that they all feel that the economy is healthy enough that they want to just keep moving forward with their projects.

Jim Lines: We're gaining a sense from the contractors and from the end users that we've turned the corner. There still is some skittishness as to how positive the outlook is more near-term, the next one or two quarters, three or four quarters; but longer-term, without question, the view of our customer base is that it's getting much better.

George Walsh: Okay, that's good. Thank you.

Jim Lines: You're welcome.

Operator: We have a follow-up question coming from Joe Mondillo of Sidoti & Company.

Joe Mondillo: Hey, Jim, yes, I just wanted to address the gross margins again. So, you held your guidance at 29% to 32% and you were at 33% this quarter and 30—almost 31% the fourth quarter. So, I'm just wondering, are you expecting those margins to fall again later in the year, or what went into keeping that guidance or maintaining that guidance?

Jim Lines: Following the guidance that we've given, that would imply that the second half of the year will have margin pressure versus Q4, Q1 and possibly Q2.

Joe Mondillo: Okay. Is that a product mix issue or are you still working off low backlog, or what's …

Jim Lines: I would call it more just the environment in which we're selling into. It still is not as healthy as we would like it to be, and it's still a very aggressive marketplace with not enough projects moving ahead, at the same time giving the supply chain—giving us some pricing power. We need to see that to actually begin to have improved margins. So, it's still early in the recovery.

Joe Mondillo: Okay, all right. Thanks.

Jim Lines: You're welcome.

Operator: As a reminder, ladies and gentlemen, if you would like to ask a question, you may press star, one at this time.

Our next question's coming from John Sturges of Oppenheimer & Co.

John Sturges: Nice quarter, gentlemen. I was just curious about the 41 million. Is that unencumbered from pre-funding from customers?

Jeff Glajch: Yes, John. While we still have a significant customer deposit balance, we also have significant unbilled revenue, which are projects that are in process but haven't been fully billed yet. If you went back a few quarters, you would see that the two of those were out of sync. The customer deposit number was significantly higher than the unbilled revenue. If you look at it now, you'll see they're pretty much the same number. So, the answer is, yes, it's unencumbered for all intents and purposes.

John Sturges: So, if opportunity comes by, you're free to go with that capital.

Jeff Glajch: Correct, and of course we do have, for flexibility, a pretty significant line of credit available at Bank of America if we ever needed that flexibility.

John Sturges: Terrific. That's it. Thank you very much. Nice quarter. Thank you.

Jeff Glajch: Your welcome, John. Thank you.

Jim Lines: Thank you.

Operator: Thank you. There are no further questions at this time. I'd like to hand the floor back over to management for any closing comments.

Jim Lines: Thank you. We appreciate your time this afternoon. We feel we had a very strong first quarter. We're optimistic about the full year and the long-term recovery in our markets, and we look forward to updating you during our next call in October. Thanks.

Operator: This concludes today's teleconference. You may disconnect your lines at this time. Thank you all for your participation.