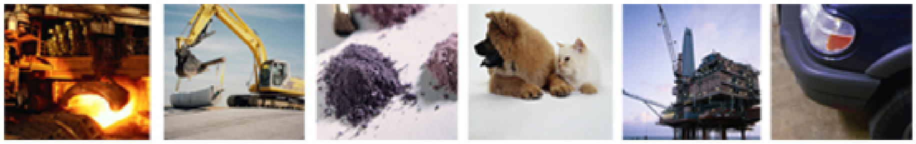

Q4 Conference Call 2008

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January 30, 2009 10:00 a.m., CST

Operator: Good day and welcome to the AMCOL International fourth quarter 2008 earnings results conference call. Today's call is being recorded. A replay of this call will be available starting at 12:30 p.m. Central Time today. You may access the replay by dialing 888-203-1112 and referencing passcode 4308334.

The speakers today will be Mr. Larry Washow, President and Chief Executive Officer, and Mr. Don Pearson, Vice President and Chief Financial Officer.

At this time, I would like to turn the call over to Mr. Larry Washow. Please go ahead, sir.

Larry Washow: Thank you, Karina, and welcome, everybody. By now, you've had a series of press releases, hopefully, to take a good look at as we announced our joint venture activities in India and the impact on the quarter and the year a couple days ago, and then last night sending out the press release with the earnings for Q4 and the wrap-up for 2008.

When we look through all the details, the way we look at Q4 is about $0.29 a share in earnings for the ongoing business. I'll talk about that, and Don will get into more of the financials in a little bit, and then we'll obviously open it up for questions.

Taking a look at the bright spot for the quarter, obviously, minerals had a very good quarter, continuing the trend that we saw throughout the year of improved gross margins and actually beginning to approach what I would like to say is the long-term target and, I think, ultimately sustainable once the business is at the proper level. So the good news is there we can get to that type of level with pricing and cost control, reduction in energy costs particularly being a benefit in there. But, obviously, what we're seeing in '09 with the metal casting market slowing down -- you've all heard and seen the activity in the car and automotive markets, heavy equipment, both of which use a substantial number of castings. Obviously, that impacts our business.

Oil drilling -- looking at the rig count clearly is not [doing well].

So looking ahead a little bit on the mineral sector, the consumer-related businesses, pet products, doing well. That should continue.

The industrial side -- obviously, as you're hearing from everybody, I'm sure, slowing down, and that will certainly have an impact, at least in the first couple quarters on the gross margins.

Environmental -- we talked last quarter a little bit about the slowing down of building activity in Western Europe. That has certainly carried on through and around the world. Commercial construction has definitely slowed dramatically from where it was a year or two ago. That process will have to work its way through. Nobody can predict the time. This has a real impact on our business and shows up, pretty interestingly, if you look at the supplementary information towards the back of the press release where we break out the product line sales and building materials, actually down year over year 2008/2007 on a global basis. Certainly the first time that's happened, I suspect, since we broke out the environmental segment at all. But, clearly, that business is slowing down.

On the brighter side there, lining tech tends to be a bit more stable. Certainly, it's project driven, but the landfilled side, in particular, generally if a cell is full, you build a new cell, you close up the old one, you line the new one, and there's a relatively predictable pattern of activity there. So lining tech, a little less volatility expected than in the building materials side.

Oilfield Services -- saw some sales growth but certainly an impact on the margins, very obvious. Price of gas and oil came down dramatically in Q4 and definitely impacts our business in a big way. We do provide a nice portfolio of services, so we're confident that there's a very good ongoing business, but with the lower activity levels, clearly, it's more competitive, and again, not having the volume there makes a big difference, as well, on the operating margins.

So if we look longer term, longer term being the next few quarters anyway for oilfield services, the gross margins in the fourth quarter probably more indicative of what we're likely to see until the markets pick up, as opposed to the mid-30s, that I think our expectation would be in a normalized market.

So, clearly, the world is changing. No surprise there. It's obvious to all, and we are changing, as well, in managing the business, monitoring and managing the cost, making sure we have the right staffing in the right places, and at the same time, really focusing hard on the balance sheet and working capital, which is where I'll turn it over to Don.

Don Pearson: Thank you, Larry.

Before I get into the balance sheet and cash flow, a couple comments I want to make on the income statement relating to Ashapura and the Australian dollar loss recognized in the fourth quarter.

As noted in yesterday's press release, AMCOL will restate its 2008 second and third quarter on Form 10-Q as we did not properly account for the fair value of derivative instruments held by Ashapura. I want to point out that these are non-cash charges, but they require mark-to-market accounting under US GAAP, which is not required under Indian accounting principles.

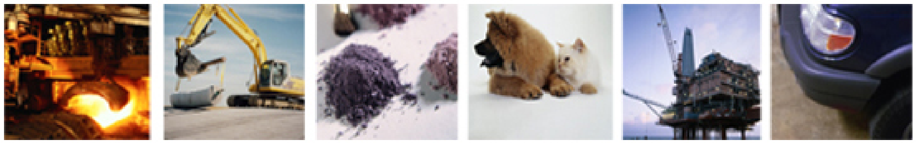
So, hopefully, you've had a chance to read the press release on that. We've also issued the 8-K. We expect to file the updated 10-Qs in the very near future.

I would like to also point out that the investment, our investment in India, is effectively written off at this point in time as a result of these mark-to-market expenses.

So what does that mean going forward? Effectively, if Ashapura were to continue to have losses arising from these derivatives, which are required to be recorded mark to market, we would have no future losses because we can't go below zero.

What we would do, however, is off balance sheet, if you will, tally up these losses, and to the extent that Ashapura then became profitable, we would claw back levels of profits until we reached zero. From that point forward, we could then start recognizing equity income, as we had done in the past.

On the Australian dollar, as we announced that and disclosed in our Q3 Form 10-Q, but again to point out what happened here, as we anticipated closing the Chrome --- pending chrome deal, which is the sand deposits in South Africa, we had put a position on the Australian dollar forward. The deal did not close. In the several months that this derivative was open, the Australian dollar had unprecedented decline in the



range of 15%, so effectively what happened was the deal did not close when we thought it would. We had to cover this position, and that was the $4.3 million loss, 2.7 net of tax, or $0.09. So we -- when we look at earnings per share, as Larry had said, we add back both the $0.19 from the Ashapura, a non-cash charge, and the $0.09 on the Australian dollar.

Moving on to sales for the quarter, I do want to point out the currency fluctuation impact of $11.1 million. This is primarily due to the weakening of the pound in the fourth quarter as we convert these sales back to fewer dollars.

I want to comment on other net expenses, also. You can see in the income statement the loss of 3.3 million. That includes the 4.3 million of the Australian dollar loss, so therefore, there's about 1 million of FX transaction gains offsetting that, netting off to the 3.3 million.

Income taxes' expenses were low for the quarter. That's a function of several things -- number one, fewer -- or a lower pretax profit; number two, based upon the effective rate of the nine months, year to date was higher than we had -- or was high relative to the final earnings for the year, so you effectively true up the effective rate in Q4, so it's really a squeeze. There was also the R&D tax credit that was enacted in Q4 that will benefit us. So I would not anticipate seeing this type of low rate in the future. In the past, we've suggested a rate of about 27%. Certainly this year came in a little bit lower. But going forward into the future, the effective tax rate will really be a function of where the income is earned, US taxes being higher than most of our foreign taxes; we also have some tax holidays in the future that will begin to expire.

Looking at the income and losses from affiliates and joint ventures, you can see here that the current loss is 7.3 million, which is a 9.6 million decrease from the prior year. The majority of this loss is going to be the 5.9 million taken for the charge of the mark to market derivative losses at Ashapura.

Moving on to debt, you'll see that debt increased about 164 million, putting the year-end balance at about 257 million. The unused facility at year-end was about 58 million. Looking forward as to needs on the debt, Larry will talk about, I'm sure, in questioning the Chrome deal that's pending, the spending on that, I do want to point out that the non-cash charges from Ashapura write-offs do not impact any of our debt covenants.

Looking at working capital, we had substantial increases in working capital for the year, about $63 million. That's about 50% from inventory and accounts receivable increases. A lot of that was due to pretty robust demand in the beginning of the year. We do a lot of our building of clay supplies in the summer months, so we -- anticipating future robust growth, we've built up the supplies. As the volumes slowed down in Q4, we were sitting with higher levels of inventory than we would typically have given the outlook.

So in 2009, we're going to work pretty aggressively, working down the inventory, improving our demand planning and supply chain interfaces, and really operating with a lower level of inventory.

Same with accounts receivable. We've got pretty strong focus on our receivables, both the quality of them and the collections that we're working to aggressively improve the collections cycle on our receivables.

So we're looking to have a pretty substantial improvement in working capital as we come into 2009 for the full year.

Looking at capital spending, you'll see we did about 37 million in capital spending for the year and acquisitions were 43 million.

The other line item I'll talk to is advances to investments in joint ventures. That was -- 7 million of that was our investment into Russia.

I think with that, Larry, I'll turn it back to you.

Larry Washow: Okay. Karina, why don't we open it up for questions at this time.

Operator: Sure. (OPERATOR INSTRUTIONS)

We'll take our first question from Rich Wesolowski with Sidoti and Company. Please go ahead.

Rich Wesolowski: Larry, we had talked last call about the drilling market, the iron ore pelletizing market, really tightening the US Bentonit. In spite of the auto weakness, the economy, of course, changed a lot quicker than anyone expected, but how would you characterize the pricing environment in minerals today versus three months ago?

Larry Washow: Pricing environment, Rich, is actually fairly stable still. I mean, obviously, the demands are different, the iron ore pelletizing market's down, for sure the drilling market is down, but at least so far, the pricing has been stable. Certainly, I expect we'll be getting some pricing pressures from those markets going forward, but right now anyway, the pricing side is okay. The volumes obviously are dropping off, which is a big impact on our margins, though.

Rich Wesolowski: So when you talk about -- I mean I don't think anybody reasonably expects you to do 23% gross margins in minerals, but should we interpret your release to say that you won't be hitting the high-teens rate that you've done in recent years?

Larry Washow: No, I think the high teens is realistic. I think the mid-20s, where I really want to be, is not going to happen till we get the volume pick-up.

Rich Wesolowski: Okay. And, lastly, on the working capital growth that we saw late in the year, how much of that is AMCOL perhaps not performing to its own expectations on managing it versus customers changing their own payment habits?

Larry Washow: It's a little bit of both, to be honest. Obviously, as Don mentioned, the inventory build tends to occur going into winter, so we typically end up with a fairly high level of clay inventory.

The other side of the coin is we had a lot of material on the water heading into Asia and, you know, that's typically a six to 10-week kind of cycle, and when the business started to slow down there, we still had a lot of material that was heading over there. Obviously, that's all now been stopped or slowed down substantially, so I think we're going to see a quick turnaround in the working capital. Certainly, it will be shrinking for sure. Magnitudes quarter by quarter should be down several million dollars.

Rich Wesolowski: Okay, sorry, one more. Can you refresh my memory as to how much cash is going to go out the door if you complete the Chrome deal, both for the transaction and for the upgrade of the facility?

Larry Washow: Yes, the Chrome deal, and I should provide the quick update on that, it's still in process, not completed or not concluded yet. South Africa spends the last part of December and the first half of January pretty much on holiday, so it's been coming back over the last week or two. We are in the midst of trying to wrap that deal up. The original deal structure would've been an additional 30 million?

Don Pearson: Yes, if the current structure was in place, it would probably be just under 30 million to fund the deal.

Larry Washow: And at this juncture, Rich, we do not have an anticipation that we would do major expenditures on the plant side, at least for the next few quarters.

Rich Wesolowski: So that previous 8 to 12 million that you were going to spend after the deal has been forestalled?

Larry Washow: It is, yes, delayed. We still want to do it, but we do have a plant down there already, as you know, and initially anyway, we're going to work with that and kind of make sure we see where the markets are going.

Rich Wesolowski: Thanks a lot.

Larry Washow: Thank you.

Operator: We'll take our next question from Al Kaschalk with Wedbush Morgan.

Al Kaschalk: Larry, I wanted to try and focus on leverage or fixed cost and variable cost within a couple of the segments and see -- it's my understanding, right, that minerals have a large percentage of fixed costs, and the other two segments have a lot more variable cost-oriented. So as volumes come down, which businesses have the greater chances of sustaining margins or, maybe said differently, which ones should we look at as saying if volume comes down, a proportionate percentage decrease in margins would occur, as well?

Larry Washow: Yes, the environmental segment certainly has the best leverage. I mean they -- their asset base is modest compared to the mineral sector, so even a decline in volume doesn't have the same impact on margins because of that fixed cost overhead that it would on minerals. So the gross margins in the fourth quarter is 30% for environmental, plus or minus, from there to look at for 2009 and volume does have some impact, so I wouldn't say it's going to get back to the mid-30s any time soon, but they should be really in a fairly good position from a gross margin standpoint.

The mineral side is more difficult because we do have a very high fixed-cost base, but there is a reasonable level of business. Again, you just look at the pet products by itself, that's a solid volume and growing. Doesn't offset the decline by any means in metal casting, but in those areas, we're also looking at making sure that we've got sort of the right structure in place. We have several blending plants, for example, in metal casting, and we're evaluating if all those are required to really support the business as it is today. So I think we'll be shifting and trying to manage our fixed-cost base as best we can in minerals to reduce that.

Oilfield services actually has a fairly high fixed cost base just given the amount of equipment that they have. The service element, the people, that's more flexible for sure, but they've been one of our heavy capital expenditures over the last few years, so there is still that base there, and that's why you see a pretty good drop in the gross margins in oilfield, both a function of the volume and activity, the costs ongoing with the capital invested, and you have to retain the good people even though they might not be as busy as you would like and not earning as much as we were on a daily basis on these jobs. So oilfield also has a pretty good nut that they have to crack in terms of the fixed cost.

Al Kaschalk: But would it be fair to say -- and I realize this is a general statement, but maybe you could talk to one or two of the segments -- that the decline in margins, you've got to really feel like you've bottomed in any of those? I mean are we just getting started on the decline?

Larry Washow: Well, I mean oilfield really was slow all quarter. I think the -- that's -- I don't think we're widely off there in terms of Q4 gross margins as an indicator for what our expectations are. It's hard to predict that. I mean if oil continues to drop and gas drops off, could it get worse? Sure, it could. If the product mix, because we have some of our services that are extremely profitable, more competition for those now because there's not as much demand, so that impacts the margins, but Q4, we don't think, is going to be widely off base for kind of our '09 expectations in terms of the margins.

Environmental -- kind of a similar story. We don't think it's going to be horrific. These products tend to maintain reasonable margins throughout. We have seen some decline, obviously, year over year, and that's primarily a function of the mix because the building materials products tend to be at a higher margin than the lining tech. So given that shift, you know, the margin that we saw in Q4, which is a slower quarter anyway, probably indicative of something to look at anyway for Q1. May see a little bit of decline depending on volume, but again, I don't think it's going to be radical swings from those kinds of numbers.

Al Kaschalk: Could you add any color or shed some color on January, or at least the front part of the month, of what you're seeing in terms of activity? Has it declined further? Has it softened? Are you seeing any signs of positive trends?

Larry Washow: Certainly not seeing any rebound. I mean, again, if there's a bright spot, it's that this is the time when the pet products business is strong because it's winter, but a lot of the metal casting customers, the foundries that had shut down for the holidays extended their shutdowns into January, in some cases, others came back for a short time and said we're going to be down a couple more weeks, and I mean I think if you look at the automotive sales, it's not a direct proxy, but it's a pretty good idea of what's happening in the metal casting market, and, clearly, that being down to the levels it is reflects on our business overall without a doubt.

So can't say I'm seeing anything very exciting or robust at all to start the year but not a lot different than our expectations either.

Al Kaschalk: And, finally, to Don, on the covenants or the debt, are there covenants we should be thinking about that are a little bit closer to -- you know, given the slowdown in business and maybe the cash flow and working capital, I mean like should it be considered in terms of a covenant that may be tripped or dividend concerns?

Don Pearson: Yes, the most important covenant that we watch is the debt to EBITDA, which is 3.1, and at year-end, we're at 2.4.

Al Kaschalk: All right. Thank you, guys.

Larry Washow: Okay, thank you.

Operator: Next, we'll go to Jay Harris with Goldsmith and Harris. Your line is open.

Jay Harris: Thank you. In terms of use of cash in 2009, should we assume that the 60-some-odd million increase in working capital will come out and be a source of cash, or are you shooting for more than that? Give us your capital spending number and your depreciation number.

Larry Washow: Let me take a couple of those, Jay, to start with.

Capital spending, I think, as Don mentioned last year, was 37 million. Now, ignoring South Africa, that acquisitions cost, that will certainly be down by something like 10 million.

The working capital, clearly, we intend to push as hard as we can, you know, if we get -- when we get the whole increase from 2008 back, I don't know, but certainly we do expect a substantial improvement in that, and that obviously, as you say, does result in cash.

Depreciation, Don?

Don Pearson: Yes, well, depreciation amortization for '08, you can see, is 34, so certainly, I think that will probably stay around there, might uptick a bit but be in that range.

Jay Harris: Well, if the South Africa goes through, what will happen to that number?

Don Pearson: Well, we're not -- again, the investment is in the mine side, so that --

Jay Harris: Jim (sic), mostly in the ground then?

Don Pearson: That's right.

Jay Harris: Okay, so that wouldn't have any effect.

Don Pearson: Correct.

Jay Harris: As we look at your minerals segment, what portion of the revenue increase in the quarter and for the year was prices?

Don Pearson: In the quarter, the vast majority of the increase was pricing.

Larry Washow: Certainly more than half, I think, over the course of the year would be pricing, Jay, and we really did see the energies cost start to come down, but the nature of our business, a lot of the material is already mined and in inventory, so some of the higher cost is built in there until we get to the new mining season with lower costs. So most of the improvement in 2008 was pricing, but again, we did start to see that cost element come in towards the second half of the year.

Jay Harris: Do you think you'll be able to hold those prices in '09?

Larry Washow: It's certainly our intent. Now, again, it's a very competitive market. Lots of companies are aggressively looking to reduce their costs, so we .will be under pressure. We certainly will, already are. We'll hold it as strongly and as much as we can, but I can't say, yes, for sure, we'll hold it everywhere, but we think -- you know, the minerals margins in Q4 really got to where they need to be on a long-term basis, so to start to retrieve from that in a big way is not acceptable either, so we're going to be very aggressive in trying to maintain the pricing we have or as much of it as we can.

Jay Harris: Are there -- as '09 progresses and you consume your high cost inventories, given the energy input into the minerals product line, will we see a significant cost of goods sold advantage?

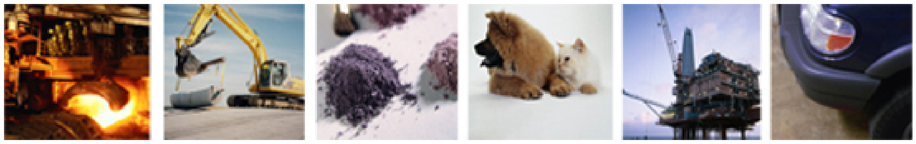
Larry Washow: It'll help some, but I don't -- again, with the overhead fixed costs coming into play, we're not going to see probably as much of a benefit from that as we would had the volume stayed very strong. So it's going to help, but I don't think it's going to have a big impact on the gross margin.

Jay Harris: Have the railroads reduced the -- all of their surcharges for higher fuel costs?

Larry Washow: Definitely the surcharges are coming down. They seem to come down slower than they went up, but -- yeah, they're definitely coming down, and that's a benefit, as well.

Jay Harris: All right. And in the truck transportation, is that occurring, as well?

Larry Washow: It is. Yes, the diesel prices coming down certainly helped trucking, but again, there you've



got a lot of trucks chasing less volume, so the competition there is pretty fierce, and that's a -- I mean that's a competitive market every day. It's really one that it's hard to maintain a long-term kind of high-margin business. So I expect our margins there to be similar to where they are this year but probably not grow any.

Jay Harris: Are you looking for much in the way of volume changes in the components of your minerals segment in '09 versus, I guess, '08?

Larry Washow: Yes, certainly metal casting trended down really from -- probably almost from the second quarter right on through the end of the year. We're not sure if that's on the base yet, you know, our bottom. Still trending down slowly, certainly at a slower rate than it did, which is good.

The oilfield drilling clearly has dropped off pretty dramatically and relatively quickly, and again, we're not sure we're quite at the base there, but the rig count, it continues to come down but at a bit slower pace. I think that's entirely dependent on what happens with oil and gas pricing.

Jay Harris: What is the outlook for the liner activity in '09? Does it continue at the fourth quarter pace for the year, or do the projects get thinner as we go further into calendar year '09?

Larry Washow: I mean we're starting the year with a thinner backlog than we normally do, but there's as much activity on the bidding side and the project side as ever, so it's really going to be dependent on how many of those projects turn into real money being spent on the ground. We'll certainly get our portion, we think, and we're in good position on some very major projects, but it's a question of do they get funded, do they build in '09, what happens. But, yes, I think we're starting off the year with a thinner backlog than we normally do for sure.

Jay Harris: Is there a -- have you hit bottom on building materials yet?

Larry Washow: Hard to say, Jay. It really -- it slowed down a lot in the last couple quarters, and it's -- we're seeing a lot of bidding activity on some of these infrastructure projects. Schools, for example, are still building, governments are still spending money on building, and we'll have to see what the Chinese stimulus plan and infrastructure in the US -- if that translates into some projects, it ultimately will be a benefit for us in the building materials sector, but hard to say. I mean if we hit a bottom, I don't know. It certainly has slowed down. We have broadened our product range and our portfolio over the last year, which we think positions us well for whatever's out there, but we'll just have to see how the bidding goes.

Jay Harris: And, finally, could you add some color or provide some color on debt reduction versus acquisition opportunities?

Larry Washow: No question where the focus is. It's balance sheet all the way up and down the organization. We spend most of our day talking about cash and cash flow and working capital and improving it. Clearly, that is the 2009 objective. There's -- once the South African deal is complete, there's no other acquisitions on the horizon that are expected or planned or even likely to occur in 2009 at all. Capital spending coming down will help the cash, as well, but clearly, it's a balance sheet year as opposed to sales growth and kind of what our last several years have brought to us.

Jay Harris: I lied; just one more.

Larry Washow: No problem.

Jay Harris: What do you think will happen to the price of chrome sands that you hope to sell into the stainless steel casting market as '09 progresses?

Larry Washow: Yes, good question, and it's an important one for people to understand. We don't sell chrome into the stainless steel in the metgrade market, as they call it. That's of no interest to us at all. Pricing in that market has collapsed on the chrome side.

The market we're interested in is the steel foundry casting, very large steel castings. That's less than 10% of the whole chrome market but one that we believe, with the technical support we have and the quality of the raw material and the process we're doing, we have a chance of getting a portion of that market, and we only need a portion to have a very successful start to the year.

The pricing so far has not come down and, in part, because a lot of the chrome sand producers who make the foundry sand as a bit of a sideline have shut down their mines and shut down their activity just given the collapse in the chrome sand pricing for stainless steel. So at least at this point, we're pretty comfortable that the pricing market for the foundry sand, which is our business, is going to hang in there.

Jay Harris: Thank you very much.

Larry Washow: Thank you.

Operator: Your next question comes from Todd Vencil with Davenport. Please go ahead.

Todd Vencil: You know, you've done a really good job helping us think about the -- what the margins are going to be in the various businesses, and I guess, you know, you've given a lot of sort of detail within each of the segments in terms of thinking about how the parts of the business are tracking. I mean I wonder if you could maybe sort of walk through and think, you know, net-net-net, what do you see in terms of foreign exchange and then how do the acquisitions roll off. Sort of broadly speaking, I mean are we looking at X price? Are we looking at anything that could potentially be sort of up this year, or is it all kind of flat and then flat to down? And then we think about price on top of that maybe in the mineral space.

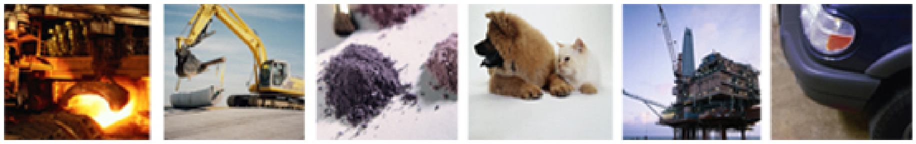
Larry Washow: Yes, in the mineral space, I think the up side is, assuming we can wrap up the Chrome deal, there is a nice market out there. We're well connected to it. We're well positioned to get into it, and if we can do that, that's actually an up side for the minerals activity.

Some of the other areas which are getting underway, we're completing an expansion in Asia of our granular material, which goes into detergents and other consumer products, and we think that market is stable and growing. And in Asia, even though things have slowed down dramatically, sort of the transition to some of the more traditionally Western products and styles continues, so we think that's kind of a growing market, and we're positioned very well in that. We'll have more capacity coming on, and that could be a plus.

We supply materials into the paper market. It's a relatively small segment for us, but it will be bigger this year than last year for sure, and it's -- granted, it's only a few million dollars additional sales but nice margins, and that helps offset some of the decline.

So, clearly, the big-volume guys are the headliners, and metal casting and oil drilling being the prominent ones. There's other areas that are positive that kind of feed into that. On a plus side, not enough to offset all the negatives, I don't think, per se, but I do think there's going to be a reasonable balance in there in terms of the pricing that has been improved, most of which we think will stay, some of these smaller segments which have good margins and will add value, and, obviously, we're focused on the costs, as well.

So, clearly, getting the operation sized correctly and doing what we can to make sure that our variable cost is as low as it can be given the expected volumes will help support the margins, as well.



Todd Vencil: Okay. On the cost-saving side, you actually mentioned that you were maybe looking at some of your -- how many blending plants you had for the metal casting. I mean can you talk a little bit about some of the various things you may be looking at? I'm sure that you are given that the volumes are doing what they are.

Larry Washow: Yes, we're really looking at everything, Todd. I mean there's no stone that isn't appropriate to take a serious look at. Obviously, our strategy for a long time had been to really put -- position these plants in near significant foundry areas, and unfortunately, in that industry, some of what was significant 10 years ago, foundries that have closed, have moved, have changed, are not significant anymore, and if the business levels aren't enough to really support in a very profitable way these plants, we're taking a look at that.

At the same time, we're trying to make sure we're maximizing our major Western plants, which are, by far, our most cost-effective operations, and the more volume we keep there, the better. We do have other plants out West that are kind of more of a swing plant where we'd pick up additional volume. We're looking at how to make sure that we've got ourselves positioned right to take advantage of the lowest cost operations we have.

Todd Vencil: Good. From an FX standpoint, can you just real quick talk about where you guys stand at this point on what sort of your -- you know, what the major currencies and kind of their weightings are in the businesses that are impacting your top line?

Don Pearson: Todd, the big currencies are going to be the pound, the euro, and the Polish zloty.

Todd Vencil: Okay.

Don Pearson: In the fourth quarter, the euro and the dollar kind of moved but came back, so that didn't have a big impact, but on the top line, it was really all about the weakening of the pound, so the pound is -- the dollar right now is, I don't know, about a buck -- probably a buck 45 or so, so that will be kind of a -- probably a good indicator on the top line on the translation side, and to a lesser extent, the zloty, as well.

You know, the volatility that we had in the fourth quarter certainly kind of threw all the old rules out the book, but it seems like things are stabilizing a bit. The dollar being stronger will have a dampening on the top line, but I think that's probably the best way to think about it. So if the dollar would happen to weaken, that would help our top line, but it seems that the general consensus is the dollar will probably stay in this range for some time.

Todd Vencil: Okay. And then remind me where we stand on the sale leaseback on the building.

Don Pearson: Yes, that transaction is done.

Todd Vencil: Done, right.

Don Pearson: Yes, so you'll see in the cash flow 23 million coming in, 23 million going out. You probably heard that the cost of the building is around 30 or so, so the remaining is just some items in a receivable or construction in progress and a payable that just wash each other out, as well, and that will be gone within the next couple months as the all the payments are made.

Todd Vencil: Okay. And then on the pension side, you guys -- what are you guys looking at for this year? I mean any descript color on what's going on there?

Don Pearson: Yes, I think our normal run rate on pension expense was somewhere around a million, so obviously, with the decline in the assets in the pension plans and changes in discount rates, there will be some impact, so that will probably be a little bit more than 2 million, so not substantial, but there will be some impact from that. Obviously, these -- with pension accounting, things are kind of taken over a period of time with gains and losses, so it's not a mark-to-market-type approach, but it will be a -- it'll probably go from 1 million to 2, 2.5 million range.

Todd Vencil: Okay. And what about in terms of cash contributions?

Don Pearson: Yes, we're fully funded --

Todd Vencil: Okay.

Don Pearson: -- so we do have the option of, if we choose, to not have to fund this year.

Todd Vencil: Okay. And final thing, is Gary on the call?

Larry Washow: No.

Todd Vencil: Okay, well, just tell Gary -- we talked a lot in the past about prices in minerals, and just tell him I say congratulations.

Larry Washow: Will do, and he's got his work cut out for him this year.

Todd Vencil: Good. All right. Thanks, guys.

Larry Washow: Thank you.

Operator: We'll take our next question from Rich Wesolowski with Sidoti and Company.

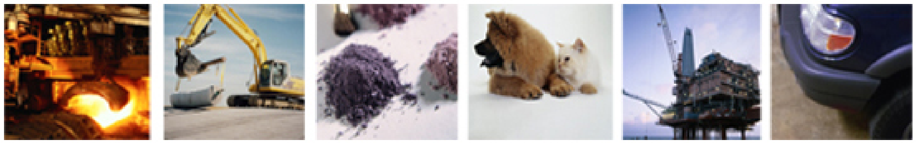
Rich Wesolowski: In oilfield, I was surprised to see you call out the offshore portion of the business, which I thought was in better shape than the land-based drilling. Is there a big difference between the two, and have you seen a drop-off in both or just one?

Larry Washow: Both have dropped off, Rich. I think the impact on the offshore side is the big projects, they tend to go on, and they're very nice, and they're profitable, but the activity level out there has certainly slowed down offshore, and clearly, especially in the gas market onshore, it is way down.

The other impact is the acquisition we did in mid-year last year on the coil tubing, that -- it was, obviously, an expensive acquisition. It's a very high-value service that is provided, but with the lower activity level, they're not certainly fully utilized, and the rate's coming down because there are more coil tubing units available today just because of the activity levels, whereas last year, a year ago at this time, there weren't enough. So typical sort of thing where you see the competition picking up a lot, and it does have a big impact on margins, obviously.

Rich Wesolowski: Okay, and lastly, can you talk about whether the product of all the factors that you have and the earnings that you'll have in 2009 will put you close to any of your debt covenants, and, secondly, whether you have any ability to raise the ceiling on your existing revolver at any point during the recession?

Larry Washow: The key debt covenant Don mentioned is that EBITDA multiple, and that's the one we



really watch very, very carefully. Certainly are going to work hard not to get in a position where we would have an issue with that. Having said that, I suspect, like everyone, we are looking at any and all options just to understand what the market looks like today for different sort of financing vehicles. Not expecting to use it but at least making sure we know -- if there's an opportunity, one, for a good approach, we want to know that, and secondarily, if we do get to the stage where we might have an issue, then we want to know really how to deal with all the options. But at this juncture, we've been just more talking and learning than certainly making any decisions on that.

Todd Vencil: Great. Thanks again.

Larry Washow: Thank you.

Operator: Gentlemen, we have no further questions at this time.

Larry Washow: Great. Thank you, everybody, for joining and talk to you next quarter.

Operator: Once again, that does conclude today's conference. Thank you for joining us, and have a wonderful day.

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