

SEPTEMBER 15, 2008

THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

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THE WALL STREET TRANSCRIPT**

COMPANY INTERVIEW

PETER F. ADAMS

The Churchill Corporation

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Founded 1963

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The Churchill Corporation (CUQ:TSX)



PETER F. ADAMS, President and CEO of the Churchill Corporation since January 21, 2007. He has been Chairman of the Board from May 2002 to August 2008, and a Director since May 20, 1993. Prior to his appointment at the Churchill Corporation, Dr. Adams was the President and CEO of the Canadian Petroleum Institute from 1993 to 2002; having previously served as the Dean of Engineering at the University of Alberta and as President of the Centre for Frontier Engineering.

SECTOR – ENGINEERING & CONSTRUCTION

(AKN602) TWST: May we start with a brief history of your company and would you slice your business segments on a reporting basis?

Dr. Adams: The Churchill Corporation has been in existence since the early 1980s, starting out as a diversified investment and holding company. Its principal business activities were corporate investment, real estate development and financial advisory services. In the late 1980s, it began to focus on its construction companies and at that time it owned Stuart Olson, which is a commercial and institutional general contractor; Triton Projects, a general mechanical contractor; and Insulation Holdings, the parent company of Fuller Austin Insulation (unionized) and Northern Industrial Insulation (non-union). Over the course of the 1990s and early 2000s, Churchill divested itself of all but its construction companies and in 2003 added Laird Electric to its suite of companies.

Stuart Olson generates approximately 80% of its business in Alberta and 20% of its business in British Columbia. It specializes in social infrastructure; building facilities such as hospitals, schools,

recreation centers, food processing and distribution centers. These types of projects are more challenging than your traditional retail center or office tower, as they involve complex heating, ventilation and mechanical systems to handle various medical gases, water and humidity variations and freezing facilities. The three industrial businesses — the mechanical, electrical and insulation companies — operate almost entirely in the in-situ (heavy oil) and oil sands mining operations of Northern Alberta. They also provide services to the mining sector, the power generation sector and a tiny bit in the forestry sector every year, but basically we are focused in the oil sands and heavy oil area. Right now, that's our strength; if that market were to slow down, it could be our weakness too.

TWST: Would you comment on the ownership and the business prospects for Stuart Olson? Is government your major customer?

Dr. Adams: All of our companies are 100% wholly owned subsidiaries. For Stuart Olson, government and quasi-government institutions are our major clients, providing 70% of revenue while the remaining 30% is split among various private sector organizations. Going forward, as long as the oil

Investors Brief



Ticker (exchange) CUQ (TORONTO)
Price close 9/10/08 15.25
12 Months Price Range 14.56 - 29.90

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The Churchill Corporation

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Stuart Olson Construction Ltd.

Ronald L. Martineau
President & COO
Insulation Holdings Inc.

Kelly R. Smith
President & COO
Triton Construction Inc.

David J. Lemay
VP Operations
Laird Electric Inc.

Daryl E. Sands
Chief Financial Officer
The Churchill Corporation

STUART OLSON CONSTRUCTION LTD.

- One of the premier building contractors in Western Canada.
- Providing design-build, construction management and general contracting services to clients in the commercial, light-industrial and institutional sectors.

TRITON CONSTRUCTION INC.

- One of the largest open-shop mechanical contractors in Western Canada.
- Providing heavy-industrial general contracting, fabrication and maintenance services to resource and industrial clients throughout Western Canada.

INSULATION HOLDINGS INC.

- Fuller Austin and Northern Industrial Insulation were acquired by Insulation Holdings in 1988.
- Fuller Austin serves the building-trades union market and Northern Industrial serves the open-shop market.
- These companies each provide an integrated range of services; including industrial thermal and acoustic insulation, fireproofing and fire stopping, asbestos abatement, siding application and plant maintenance.

LAIRD ELECTRIC INC.

- Providing industrial electrical, instrumentation and power-line construction and maintenance services.
- Laird primarily serves the resource and industrial sectors; including the oil sands, oil and gas, petrochemical and power generation markets.

OUR STRATEGIC PLAN IS TO MAXIMIZE SHAREHOLDER VALUE BASED ON FOUR PRIORITIES:

1. Emphasizing value added construction and other partnering methods of project delivery.
2. Maintaining the focus of our industrial companies on the oil sands construction market.
3. Managing resources within our heavy-industrial general contracting segment more effectively.
4. Ensure an adequate supply of working capital availability through the debt and equity markets.

Business Description

The Churchill Corporation is building a profitable and diversified construction and industrial services company. Churchill provides commercial building construction, industrial construction, industrial insulation, industrial electrical, and maintenance and related services throughout Western Canada through its operating subsidiaries: Stuart Olson Construction Ltd., Triton Construction Inc., Insulation Holdings Inc., and Laird Electric Inc.

INVESTOR HIGHLIGHTS

- Record revenue of \$736.1 million in 2007, an increase of 39% over 2006
- EBITDA increased to \$35.1 million or 115% over 2006
- Net earnings in 2007 were 160% higher, growing to \$21.1 million or \$1.19 per share
- Q2 2008 backlog of \$1.3 billion, an increase of 3% over Q2 2007
- Strong balance sheet with \$75.9 million in cash and \$60.1 million of working capital, \$7.8 million in long-term debt obligations and shareholders' equity of \$84.4 million
- Turnaround at Triton is on-track
- Stuart Olson continues to grow revenue and earnings

2008 FINANCIAL TARGETS

- Revenue growth in excess of 20%
- Year-over-year profitability growth and backlog growth

sands and conventional energy sector continue to drive this province, there will be continued investment in the infrastructure by the government. Oil and gas extraction and related activities accounted for 25% of Alberta's GDP in 2006. The government utilizes the resource royalties collected from the energy sector and uses them to fund social infrastructure projects in health care, education and transportation. So we believe the prospects for Stuart Olson are excellent going forward.

"Stuart Olson contributes about 70% of our revenue and 80% of our earnings. The industrial businesses contribute 30% and 20% respectively. The industrial percentage will be growing as we have turned the corner in a revitalization plan at Triton and it is now growing its volume and contributing earnings to the bottom line."

TWST: How do you see the overall outlook for infrastructure spending in the areas that you operate?

Dr. Adams: The forecast for infrastructure spending in Alberta is approximately \$22 billion during the years of 2008 to 2011, British Columbia is forecast to spend \$17 billion and the federal government has committed to invest \$33 billion from 2007 through to 2014. In total, funding for infrastructure projects across Canada is expected to reach over \$80 billion per year to 2014. Oil sands capital expenditures are expected to contribute an additional \$15 to \$20 billion annually over the same time period. As a result, we think the construction market is going to be healthy for quite some time.

TWST: In terms of credit availability, is Canada impacted as much as the United States?

Dr. Adams: Our financial institutions, while participants in the global credit market,

have been reasonably unscathed. Our lending practices in Canada are much stricter than in the US. Combined, our national banks have written off about \$11 billion dollars due to the credit crisis, which is only a fraction of the global or US write-offs. From a Western Canada perspective, our economy continues to be robust as we supply energy to the world and our governments run budget surpluses.

TWST: Would you comment on who some of your key customers are, some of your key projects?

Dr. Adams: At Stuart Olson, we are currently working on a large project for Alberta Infrastructure to build a \$600 million jail (remand center) in northwest Edmonton. Also, we just completed a parkade expansion project for the Edmonton Airport Authority, I am proud to say ahead of schedule and under budget. Additionally, in Calgary we recently turned over a new student residence building to the Southern Alberta Institute of Technology and we are building a veterinary school for the University of Calgary and expanding facilities at the Peter Lougheed Hospital. We have a high profile job for the Vancouver 2010 Winter Olympic Games, constructing the Hillcrest Curling venue, plus numerous other projects in cities like Red Deer, Lethbridge and Fort McMurray.

In our industrial businesses, it's primarily in the in-situ and oil sands mining areas that we are active, sites like Syncrude and Suncor Opti-Nexen, Albion Sands and CNRL's Horizon project. In addition, we work for petrochemical and pipeline companies such as Petro-Canada, Imperial Oil, Enbridge, and TransCanada Pipelines. Almost every major player in the business has made use of our services at one time or another.

TWST: Would the fact that your company specializes in projects that are more

complex be a differentiating factor as far as your competition is concerned? What is the competitive environment?

Dr. Adams: Yes, I think that having those kinds of projects makes it more interesting for our people, challenging them and enabling them to develop new skills. When I am speaking of those kinds of projects, I am speaking primarily of Stuart Olson and this would be the commercial, institutional projects. In terms of competition, Stuart Olson ranks among the top 10 general contractors in Canada based on revenue. However there are several large and very capable national competitors in this area. We differentiate ourselves in terms of process, methodology, client and subcontractor management. Our objective is to deliver value-added construction services by having everyone aligned and focused on delivering more than the client expects, under budget and on time. Stuart Olson seldom bids for a project — they are often invited to propose their fee to complete a project — so they are very fortunate in that regard.

“Our balance sheet is very strong. We have virtually no long-term debt. We have \$60 million of working capital and a cash position of \$75 million dollars. We have not raised equity since 2005. We need a strong balance sheet because we require bonding capacity for Stuart Olson and to fund the working capital needs of our industrial businesses. While some of this cash is surplus from an operational perspective, we must maintain it to support our backlog of \$1.3 billion.”

TWST: What element in your company would make you so adept for these complex projects?

Dr. Adams: I think it’s primarily the fact that Stuart Olson has a track record of previous

success on these types of projects, very strong systems, has a great management team in place, and excellent relationships with capable subcontractors. Our industrial companies are able to succeed on the complex oil sands projects for the same reasons, except in these businesses we either self-perform the work with our own staff or utilize skilled trades people from the union hall.

TWST: How would you break down the revenue from the segments of your company that you have mentioned?

Dr. Adams: Stuart Olson contributes about 70% of our revenue and 80% of our earnings. The industrial businesses contribute 30% and 20% respectively. The industrial percentage will be growing as we have turned the corner in a revitalization plan at Triton and it is now growing its volume and contributing earnings to the bottom line.

Of our total revenue, 80% comes through the province of Alberta, 17% from British Columbia and the remainder from Saskatchewan and Northern Ontario.

TWST: Has the development of the oil sands lived up to expectations?

Dr. Adams: In terms of producing work for our companies, it absolutely has. We don’t see an end to the projects in the oil sands. We certainly are aware of the challenges involved in their development including the carbon sequestration, water usage and ensuring that Albertans receive a fair share, but none of these should derail the projects. We believe the overwhelming need in North America for petroleum products during our lifetimes will be high and that the oil sands provide a tremendous resource to satisfy those needs. The industry from the owners down to the contractors and suppliers are trying to find ways to manage these mega-projects more effectively with reduced impact on our environment.

It's a challenge but one that the industry is doing its best to overcome.

"We have put in place a strategy now that will substantially increase our revenues to \$1.6 billion in three to four years time from \$736 million in 2007, achieve \$90 million in earnings before tax, improve our pre-tax profit margins and grow shareholder value."

TWST: Would you comment on the opportunities that lie ahead for you and your strategy for success?

Dr. Adams: Frankly, the oil sands and in situ projects provide a huge oil reserve and an opportunity for the development of a secure North American energy supply. Our legal and political frameworks are congruent, we sit in close proximity to your country. Large capacity pipelines are being developed to deliver the petroleum products to the United States, some of it to be refined there and some as finished products. We believe that Canada and Alberta can provide the US with a pretty stable supply of oil for a long time to come.

So given that, we expect the kind of activity we see now to continue and in fact probably ramp up and so we think our companies are extremely well positioned both in terms of the industrial markets and then through the royalty revenues received by the governments that will be spent on our infrastructure market.

TWST: Do you expect your business mix to pretty much remain the same?

Dr. Adams: No, we have put in place a strategy now that will substantially increase our revenues to \$1.6 billion in three to four years time from \$736 million in 2007, achieve

\$90 million in earnings before tax, improve our pre-tax profit margins and grow shareholder value. While this will mainly be achieved by internal growth, we also have in mind some acquisitions to strengthen the industrial side of our operation and growth in the Stuart Olson side of the business to provide some geographic and/or industry diversity.

TWST: What business challenges are you looking out for?

Dr. Adams: The ongoing challenge in our market is to recruit and retain good people. We are very fortunate in our company with the large number of mature workers we have and the people who have been with us for a long time. However, we have to retain those people, we have to treat them well and one of our strategic thrusts going forward is to improve our human resources activities and programs and to enhance our reputation as a preferred place to work for the people in this industry.

Our primary need is for competent project managers and site superintendents, so we are always on the lookout for good people at that level in the company. We are aware of the fact that as we grow, we need to have the systems and processes in place that will enable us to achieve our targets.

TWST: Would you be more specific as to how you intend to draw new talent?

Dr. Adams: We are doing everything we can. We participate in programs to hire bright, young people from the technical institutes and universities. We recruit for key people who might be available in less active regions of Canada and try to bring them out here, and we have been successful in recruiting people from offshore who have the competencies that we need. I don't think there is any one silver bullet but we are trying everything we can to retain and attract the best people.

TWST: What about the key members of your management team? Would you comment on their expertise, including your own?

Dr. Adams: We have four operating companies that operate to a large extent, independently. In Stuart Olson, we have the President of that company and three Vice Presidents. The President has been with us for more than 20 years. He has grown up in the company, runs a tight ship, is very competent and a leader in the industry. His three Vice Presidents also have substantial experience. We've just promoted an internal candidate in British Columbia to replace a man who had retired after more than 30 years' experience with us. So as you can see we have a pretty stable environment.

The leader of our insulation companies has been with us for 37 years. He has three Vice Presidents who have also been with us for more than 10 years — again, large numbers of long-term, stable employees in those companies. At Laird Electric, which has been in the Fort McMurray market for over 40 years, our President recently retired and we've appointed a seasoned executive there to carry forward our growth plans. Again, many of our people have been in the Fort McMurray area for a long time, enjoy living in the community and working for Laird.

We had some difficult years at Triton three or four years ago and decided to make a management change there in August 2006. Since then, internally they have changed the project management personnel two or three levels down. The company broke even in their first year together and this year they are well in the black. We are looking forward to continued growth and profitability. So we think we've got great teams in place in the four operating companies.

Churchill serves as a management company. We provide strategic leadership, the public com-

pany face and shared services such as information technology, treasury etc. I have been associated with Churchill since 1993 as a Director. I served as Chairman of the company from 2003 to until just recently and Interim CEO for the past 18 months. To facilitate the process of making that latter appointment more permanent and to separate the Chairman and the CEO's role, another member of our Board has taken over as the Chairman of the company and that's just occurred in the last several weeks.

"Our focus is on profitable execution of projects and correspondingly this translates into greater EBITDA and earnings per share. Our strong backlog of work provides excellent visibility as to the sustainability of performance and potential for further revenue growth."

TWST: How does the balance sheet look to you?

Dr. Adams: Our balance sheet is very strong. We have virtually no long-term debt. We have \$60 million of working capital and a cash position of \$75 million dollars. We have not raised equity since 2005. We need a strong balance sheet because we require bonding capacity for Stuart Olson and to fund the working capital needs of our industrial businesses. While some of this cash is surplus from an operational perspective, we must maintain it to support our backlog of \$1.3 billion.

TWST: Do you believe your company is as well understood as you would like it to be in the financial markets and the investor community?

Dr. Adams: Not as well as we would like. I think that the four operating companies are well known among customers in their respective market segments, but that Churchill itself as a public company that holds these growing and successful

businesses is not as well known. We are trying to rectify that in the investment community.

TWST: What programs are you going to institute to improve that aspect of your communications?

Dr. Adams: Most recently in the last year or so we have expanded our investor relations program. We have been able to increase our following among the investment dealers to the point that we have six analysts who cover us with another two in the pipeline. We have adopted a pretty rigorous schedule of road trips to meet one-on-one with institutional investors and participate in conferences where appropriate. In addition, we have committed to providing more regular business updates to the investment community so we remain top of mind. Those are the kinds of programs we're actively engaged in for now.

TWST: What are the key milestones that investors should use to judge you?

Dr. Adams: Our focus is on profitable execution of projects and correspondingly this translates into greater EBITDA and earnings per share. Our strong backlog of work provides excellent visibility as to the sustainabil-

ity of performance and potential for further revenue growth. I think those are some of the key areas that people might want to keep an eye on. Over the last two and a half years we have had record quarters on a year-over-year basis. So I hope our record, which has been very good, will motivate investors to take a closer look at our company.

TWST: Is there anything you would like to add?

Dr. Adams: I believe that we have the right companies in the right places at the right time. We are on the verge of some pretty exciting years.

TWST: Thank you. (WT)

PETER F. ADAMS

President & CEO

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