

FOSTER L B CO
Form 10-K
March 15, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

Annual Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2011

Or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 0-10436

L. B. FOSTER COMPANY
(Exact name of registrant as specified in its charter)

Pennsylvania
(State of Incorporation)

25-1324733
(I.R.S. Employer Identification No.)

415 Holiday Drive, Pittsburgh, Pennsylvania
(Address of principal executive offices)

15220
(Zip Code)

Registrant's telephone number, including area code (412) 928-3417

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock, Par Value \$0.01	NASDAQ Global Select Market
Preferred Stock Purchase Rights	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant

was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this form 10-K.

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
[]
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter was \$324,649,000.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at February 28, 2012
Common Stock, Par Value \$0.01	10,253,438 shares

Documents Incorporated by Reference:

Portions of the Proxy Statement prepared for the 2012 annual meeting of stockholders are incorporated by reference in Items 10, 11, 12, 13 and 14 of Part III of this Form 10-K.

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Forward Looking Statements

Disclosures in this Annual Report on Form 10-K may contain forward-looking statements that involve risks and uncertainties. Statements that do not relate strictly to historical or current facts are forward-looking. When we use the words “believe,” “intend,” “expect,” “may,” “should,” “anticipate,” “could,” “estimate,” “plan,” “predict,” “project,” or their other similar expressions, the statements which include those words are usually forward-looking statements. Actual results could differ materially from the results anticipated in any forward-looking statement. Accordingly, investors should not place undue reliance on forward-looking statements as a prediction of actual results. The Company has based these forward-looking statements on current expectations and assumptions about future events. While the Company considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks and uncertainties, most of which are difficult to predict and many of which are beyond the Company’s control. The risks and uncertainties that may affect the operations, performance and results of the Company’s business and forward-looking statements include, but are not limited to, an economic slowdown in the markets we serve; a decrease in freight or passenger rail traffic; a lack of state or federal funding for new infrastructure projects; an increase in manufacturing or material costs; resolution of the product claim and the United States Department of Transportation Inspector General subpoena. The risks and uncertainties that may affect the operations, performance and results of the Company’s business and forward-looking statements include, but are not limited to, those set forth under Item 1A, "Risk Factors" and elsewhere in this Form 10-K.

The forward looking statements in this report are made as of the date of this report and we assume no obligation to update or revise any forward looking statement, whether as a result of new information, future developments or otherwise.

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PART I

ITEM 1. BUSINESS

Summary Description of Businesses

Formed in 1902, L. B. Foster Company is a Pennsylvania corporation with its principal office in Pittsburgh, PA. L. B. Foster Company is a leading manufacturer, fabricator and distributor of products and services for the rail, construction, energy and utility markets. As used herein, “Foster” or the “Company” means L. B. Foster Company and its divisions and subsidiaries, unless the context otherwise requires. The Company classifies its activities into three business segments: Rail products, Construction products, and Tubular products. Financial information concerning the segments is set forth in Item 8, Note 2 to the financial statements included herein, which is incorporated by reference into this Item 1.

For rail markets, Foster provides a full line of new and used rail, trackwork, and accessories to railroads, mines and industry. The Company also designs and produces concrete railroad ties, insulated rail joints, power rail, track fasteners, coverboards and special accessories for mass transit and other rail systems worldwide. The Company also engineers, manufactures and assembles friction management products, railway wayside data collection and management systems and engineers and sells securement systems and related products.

For the construction industry, the Company sells steel sheet piling, H-bearing piling, pipe piling and provides rental sheet piling for foundation requirements. In addition, Foster supplies precast concrete buildings, fabricated structural steel, bridge decking, bridge railing, expansion joints and other products for highway construction and repair.

For tubular markets, the Company supplies pipe coatings for natural gas pipelines and utilities. The Company also produces threaded pipe products for industrial water well and irrigation markets.

More information concerning the Company’s liquidity and capital resources and the Company’s working capital requirements can be found in Item 7, Management’s Discussion and Analysis of Financial Condition and results of operations.

The Company has a joint venture, L B Pipe & Coupling Products, LLC, with L B Industries, Inc. The Company and L B Industries each have a 45% ownership interest. This venture manufactures, markets and sells various products for the energy, utility and construction markets. More information concerning the joint venture is set forth in Item 8, Note 8 to the financial statements included herein, which is incorporated by reference into this Item 1.

The following table shows, for the last three fiscal years, the net sales generated by each of the current business segments as a percentage of total net sales.

	Percentage of Net Sales		
	2011	2010	2009
Rail Products	55%	45%	46%
Construction Products	40	49	49
Tubular Products	5	6	5
	100%	100%	100%

RAIL PRODUCTS

L. B. Foster Company's rail products include heavy and light rail, relay rail, concrete ties, insulated rail joints, rail spikes, rail anchors, rail accessories, transit products and friction management products. The Company is a major rail products supplier to industrial plants, contractors, railroads, mines and mass transit systems.

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The Company sells heavy rail mainly to transit authorities, industrial companies, and rail contractors for railroad sidings, plant trackage, and other carrier and material handling applications. Additionally, the Company sells some heavy rail to railroad companies and to foreign buyers. The Company sells light rail for mining and material handling applications.

Rail accessories include trackwork, ties, track spikes, bolts, angle bars and other products required to install or maintain rail lines. These products are sold to railroads, rail contractors, industrial customers, and transit agencies and are manufactured within the Company or purchased from other manufacturers.

The Company's Allegheny Rail Products (ARP) division engineers and markets insulated rail joints and related accessories for the railroad and mass transit industries. Insulated joints are manufactured at the Company's facilities in Pueblo, CO and Niles, OH.

The Company's Transit Products division supplies power rail, direct fixation fasteners, coverboards and special accessories primarily for mass transit systems. Most of these products are manufactured by subcontractors and are usually sold by sealed bid to transit authorities or to rail contractors, worldwide.

The Company's Trackwork division sells new and relay trackwork for industrial and export markets.

The Company's Portec subsidiary, acquired on December 15, 2010, engineers, manufactures and assembles friction management products, railway wayside data collection and management systems and engineers and sells securement systems and related products. It also manufactures stick friction modifiers and related application systems.

The Company's CXT subsidiary manufactures engineered concrete railroad ties for the railroad and transit industries at its facilities in Spokane, WA and Tucson, AZ.

CONSTRUCTION PRODUCTS

L. B. Foster Company's construction products consist of sheet, pipe and bearing piling, fabricated highway products, and precast concrete buildings.

Sheet piling products are interlocking structural steel sections that are generally used to provide lateral support at construction sites. Bearing piling products are steel H-beam sections which, in their principal use, are driven into the ground for support of structures such as bridge piers and high-rise buildings. Piling products are sourced from various manufacturers and either sold or rented to project owners and contractors.

Other construction products consist of precast concrete buildings, sold principally to national and state parks, and fabricated highway products. Fabricated highway products consist principally of fabricated structural steel, bridge decking, aluminum and steel bridge rail and other bridge products, which are fabricated by the Company. The major purchasers of these products are contractors for state, municipal and other governmental projects.

Sales of the Company's construction products are partly dependent upon the level of activity in the construction industry. Accordingly, sales of these products have traditionally been somewhat higher during the second and third quarters than during the first and fourth quarters of each year.

TUBULAR PRODUCTS

The Company provides fusion bond epoxy and other coatings for corrosion protection on oil, gas and other pipelines. The Company also supplies special pipe products such as water well casing, column pipe, couplings, and related products for agricultural, municipal and industrial water wells.

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JOINT VENTURE

In May 2009, the Company completed the formation of a joint venture with L B Industries, Inc. for a period of 9.5 years. The Company and L B Industries each have a 45% ownership interest in the joint venture, L B Pipe & Coupling Products, LLC. The Company has made all of its mandatory capital contributions under the joint venture agreement totaling \$3.0 million.

This venture commenced operations in 2010 and manufactures, markets and sells various products for the energy, utility and construction markets.

MARKETING AND COMPETITION

L. B. Foster Company generally markets its rail, construction and tubular products directly in all major industrial areas of the United States, Canada and the United Kingdom through a sales force of 74 people. The Company utilizes a network of agents across Europe, South America and Asia to supplement its internal sales force to reach current customers and cultivate potential customers in these areas. The Company maintains 15 sales offices and 21 warehouses, plant and yard facilities located throughout the United States, Canada and the United Kingdom. For the years ended 2011, 2010 and 2009, approximately 15%, 5% and 3%, respectively, of the Company's total sales were outside the United States.

The major markets for the Company's products are highly competitive. Product availability, quality, service and price are principal factors of competition within each of these markets. No other company provides the same product mix to the various markets the Company serves. There are one or more companies that compete with the Company in each product line. Therefore, the Company faces significant competition from different groups of companies.

RAW MATERIALS AND SUPPLIES

Most of the Company's inventory is purchased in the form of finished or semi-finished product. The Company purchases most of its inventory from domestic and foreign steel producers. There are few domestic suppliers of new rail products and the Company could be adversely affected if a domestic supplier ceased making such material available to the Company. Additionally, the Company has an agreement with a steel mill to distribute steel sheet piling and bearing pile in North America. The Company also purchases cement and aggregate used in its concrete railroad tie and precast concrete building businesses from a variety of suppliers.

The Company's purchases from foreign suppliers are subject to the usual risks associated with changes in international conditions and to United States laws which could impose import restrictions on selected classes of products and anti-dumping duties if products are sold in the United States below certain prices.

BACKLOG

The dollar amount of firm, unfilled customer orders at December 31, 2011 and 2010 by business segment follows:

	December 31,	
	2011	2010
	In thousands	
Rail Products	\$68,103	\$86,404
Construction Products	66,555	102,173
Tubular Products	10,784	720
Total	\$145,442	\$189,297

Approximately 2% of the December 31, 2011 backlog is related to projects that will extend beyond 2012.

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RESEARCH AND DEVELOPMENT

Expenditures for research and development totaled \$1.9 million in 2011 and \$0.3 million in 2010. These 2011 expenditures were predominately associated with the Company's friction management and railroad monitoring system products.

PATENTS AND TRADEMARKS

The Company owns a number of United States, Canadian and international patents and trademarks. The Company has several patents on its friction management products, such as the Protector® IV application system, along with a significant number of patents related to its friction modifier product lines at Kelsan Technologies, which are of material importance to the business as a whole. We believe that, in the aggregate, our patents and trademarks give us a competitive advantage. We also rely on a combination of trade secrets and other intellectual property laws, non-disclosure agreements and other protective measures to establish and protect our proprietary rights in intellectual property.

ENVIRONMENTAL DISCLOSURES

It is not possible to quantify the potential impact of actions regarding environmental matters, particularly for future remediation and other compliance efforts. In the opinion of management, compliance with environmental protection laws will not have a material adverse effect on the financial condition, competitive position, or capital expenditures of the Company. However, the Company's efforts to comply with stringent environmental regulations may have an adverse effect on the Company's future earnings.

In February 2010, the Securities and Exchange Commission published guidance regarding its existing disclosure requirements as they apply to climate change matters. A number of governments or governmental bodies have introduced or are contemplating legislative and regulatory change in response to the potential impacts of climate change including pending U.S. legislation that, if enacted, would limit and reduce greenhouse gas emissions through a "cap and trade" system of allowances and credits, among other provisions. In addition, the U. S. Environmental Protection Agency has for the first time required large emitters of greenhouse gases to collect and report data with respect to their greenhouse gas emissions. Assessments of the potential impact, either positive or negative, of future climate change legislation, regulation and international treaties and accords are uncertain, given that these regulatory mechanisms may be either voluntary or legislated and may impact our operations directly or indirectly through our suppliers or customers.

See Item 3, Legal Proceedings, for information regarding the Company's environmental reserves.

EMPLOYEES AND EMPLOYEE RELATIONS

As of December 2011, the Company had 845 employees, of whom 88 were located in Canada, 56 were located in the United Kingdom with the remaining located in the United States. There were 419 hourly production workers and 426 salaried employees. Of these hourly production workers, approximately 190 are represented by unions. The Company has not suffered any major work stoppages during the past five years and considers its relations with its employees to be satisfactory.

Substantially all of the Company's hourly paid employees are covered by one of the Company's noncontributory, defined benefit plans or defined contribution plans. Substantially all of the Company's salaried employees are covered by defined contribution plans.

FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

Financial information concerning information about geographic areas is set forth in Item 8, Note 2 to the financial statements included herein, which is incorporated by reference into this Item 1.

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FINANCIAL INFORMATION ABOUT SEGMENTS

Financial information concerning information about segments is set forth in Item 8, Note 2 to the financial statements included herein, which is incorporated by reference into this Item 1.

AVAILABLE INFORMATION

The Company makes certain filings with the Securities and Exchange Commission (SEC), including its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments and exhibits to those reports, available free of charge through its website, www.lbfoster.com, as soon as reasonably practicable after they are filed with the SEC. These filings are also available through the SEC at the SEC's Public Reference Room at 100 F Street N.E. Washington, D.C. 20549 or by calling 1-800-SEC-0330. Also, these filings are available on the internet at www.sec.gov. The Company's press releases are also available on its website.

ITEM 1A. RISK FACTORS

Risks and Uncertainties

We intend to pursue acquisitions, joint ventures and alliances that involve a number of inherent risks, any of which may cause us not to realize anticipated benefits.

We continue to evaluate acquisition opportunities that have the potential to support and strengthen our business. We can give no assurances that any opportunities will arise or if they do, that they will be consummated or that potential additional financing will be available. In addition, acquisitions involve inherent risks that the acquired business will not perform in accordance with our expectations. We may not be able to achieve the synergies and other benefits we expect from the integration as successfully or rapidly as projected, if at all. Our failure to integrate newly acquired operations could prevent us from realizing our expected rate of return on an acquired business and could have a material or adverse effect on our results of operations and financial condition.

Prolonged unfavorable economic and market conditions could adversely affect our business.

We could be adversely impacted by prolonged negative changes in economic conditions affecting either our suppliers or customers as well as the capital markets. No assurances can be given that we will be able to successfully mitigate various prolonged uncertainties including materials cost variability, delayed or reduced customer payments and access to available capital resources outside of operations.

We may incur increased costs due to fluctuations in interest rates and foreign currency exchange rates.

The majority of the Company's products and services are sold in the United States, Canada and the United Kingdom. Fluctuations in the relative values of the United States dollar, Canadian dollar and British pound will require adjustments in reported earnings and operations to reflect exchange rate translation in the Company's Canadian and United Kingdom sales and operations. If the United States dollar strengthens in value as compared to the value of the Canadian dollar or British pound, the Company's reported earnings in dollars from sales in those currencies will be unfavorable. Conversely, a favorable result will be reported if the United States dollar weakens in value as compared to the value of the Canadian dollar or British pound.

Our business operates in a highly competitive industry.

We face strong competition in all of the markets in which we participate. Our response to competitor pricing actions and new competitor entries into our product lines, could negatively impact our overall pricing in the marketplace. Efforts to improve pricing could negatively impact our sales volume in all product categories. Significant negative developments in these areas could adversely affect our financial results and condition.

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If we are unable to protect our intellectual property and prevent its improper use by third parties, our ability to compete may be harmed.

The Company owns a number of patents and trademarks under the intellectual property laws of the United States, Canada and the United Kingdom. These patent protections begin expiring in 2014. However, the Company has not perfected patent and trademark protection of our proprietary intellectual property in other countries. The failure to obtain patent and trademark protection in other countries may result in other companies copying and marketing products that are based upon the Company's proprietary intellectual property. This could impede growth into new markets where the Company does not have such protections and result in greater supplies of similar products, which in turn could result in a loss of pricing power and reduced revenue.

We are dependent upon key customers.

The Company could be adversely affected by changes in the business or financial condition of a customer or customers. A significant decrease in capital spending by our railroad customers could negatively impact our product revenue. No assurances can be given that a significant downturn in the business or financial condition of a customer, or customers, would not impact our results of operations and/or financial condition.

In July 2011 the Union Pacific Railroad (UPRR) notified the Company and its CXT subsidiary of a warranty claim under CXT's 2005 supply contract relating to the sale of prestressed concrete railroad ties for the UPRR. Based on the non-specific nature of the UPRR's assertion and the Company's current inability to verify the claims, the Company is unable to determine a range of reasonably possible outcomes regarding this potential exposure matter. As a result, no accruals were made as a result of this claim as the impact, if any, cannot be reasonably estimated at this time. No assurances can be given regarding the ultimate outcome of this matter. The ultimate resolution of this matter could have a material, adverse impact on our financial statements, results of operations, liquidity and capital resources.

The Company's CXT Rail operation and ARP division are dependent on the UPRR for a significant portion of their business. The CXT Rail operation was awarded a long-term contract in 2005 from the UPRR for the supply of prestressed concrete railroad ties. CXT Rail completed construction of a new facility in Tucson, AZ in 2006 to accommodate the contract's requirements. UPRR has agreed to purchase minimum annual quantities from the Tucson, AZ facility through December 2012. In December 2010, the UPRR opted not to extend the supply agreement for the Grand Island, NE plant and we closed the plant in February 2012. No assurances can be given on whether the existing UPRR product warranty claim will adversely impact the Company's ability to extend the supply agreement with the Tucson, AZ facility.

A substantial portion of our operations are heavily dependent on governmental funding of infrastructure projects. Many of these projects have "Buy America" or "Buy American" provisions. Significant changes in the level of government funding of these projects could have a favorable or unfavorable impact on our operating results. Additionally, government actions concerning "Buy America" provisions, taxation, tariffs, the environment, or other matters could impact our operating results.

A growing portion of our sales may be derived from our international operations, which exposes us to certain risks inherent in doing business on an international level.

The Company is placing increased emphasis on the expansion of our international sales opportunities. Doing business outside the United States subjects the Company to various risks, including changing economic, climate and political conditions, work stoppages, exchange controls, currency fluctuations, armed conflicts and unexpected changes in United States and foreign laws relating to tariffs, trade restrictions, transportation regulations, foreign investments and taxation. Increasing sales to foreign countries will expose the Company to increased risk of loss from foreign currency fluctuations and exchange controls as well as longer accounts receivable payment cycles. The Company has little control over most of these risks and may be unable to anticipate changes in international economic and political

conditions and, therefore, unable to alter its business practices in time to avoid the adverse effect of any of these possible changes.

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Certain segments of our business depend on a small number of suppliers. The loss of any such supplier could have a material adverse effect on our business, financial condition and result of operations.

In our rail and piling distributed products businesses, we rely on a limited number of suppliers for key products that we sell to our customers. No assurances can be given that a significant downturn in the business of one of these suppliers, a disruption in their manufacturing operations, an unwillingness to continue to sell to us or a disruption in the availability of existing and new piling and rail products would not adversely impact our financial results.

Fluctuations in the price, quality and availability of our primary raw materials used in our business could have a material adverse effect on our operations and profitability.

Most of Foster's businesses utilize steel as a significant product component. The steel industry is cyclical and prices and availability are subject to these cycles as well as to international market forces. We also use significant amounts of cement and aggregate in our concrete railroad tie and our precast concrete building businesses. Cement and aggregate prices are subject to market conditions but this has not yet had a significant impact on the Company. No assurances can be given that our financial results would not be adversely affected if prices or availability of these materials were to change in a significantly unfavorable manner.

Our joint venture may require us to meet future capital commitments that may be burdensome or have a material adverse effect on our operations and profitability.

We have a joint venture with L B Industries, Inc. and another party to manufacture, market and sell various products for the energy, utility and construction markets. In connection with the joint venture agreement, we were required to make capital contributions of \$3.0 million, which the Company met in 2011. No assurances can be given that additional capital contributions will not be required or that the joint venture will perform in accordance with our expectations.

Labor disputes may have a material adverse effect on our operations and profitability.

Four of the Company's manufacturing facilities are staffed by employees represented by labor unions. These approximately 190 employees are currently working under three separate collective bargaining agreements.

In September 2011, we negotiated the renewal of the collective bargaining agreement with our Spokane, WA workforce represented by the United Steelworkers Local Number 338. This agreement, covering approximately 100 employees, expires in September 2014.

In October 2010, we negotiated the renewal of the collective bargaining agreement with our Bedford, PA workforce represented by the Shopman's Local Union Number 527. This agreement, covering approximately 70 employees, expires in March 2014.

The collective bargaining agreement with our St. Jean, Quebec, Canada workforce is represented by the Canadian Steel Workers Union Local Number 9443. This agreement, covering approximately 20 employees, expires in August 2013.

These collective bargaining agreements forbid the respective labor organizations from endorsing any work stoppage during the life of the agreements.

An adverse outcome in any pending or future litigation could negatively impact our operations and profitability. Changes in our expectations of the outcome of certain legal actions could vary materially from our current expectations and adversely affect our financial results and/or financial condition.

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Future climate change regulation could result in increased operating costs, affecting the demand for our products or affect the ability of our critical suppliers to meet our needs.

In February 2010, the Securities and Exchange Commission published guidance regarding its existing disclosure requirements as they apply to climate change matters. A number of governments or governmental bodies have introduced or are contemplating legislative and regulatory change in response to the potential impacts of climate change including pending U.S. legislation that, if enacted, would limit and reduce greenhouse gas emissions through a “cap and trade” system of allowances and credits, among other provisions. In addition, the U. S. Environmental Protection Agency has for the first time required large emitters of greenhouse gases to collect and report data with respect to their greenhouse gas emissions. Assessments of the potential impact, both positive or negative, of future climate change legislation, regulation and international treaties and accords are uncertain, given that these regulatory mechanisms may be either voluntary or legislated and may impact our operations directly or indirectly through our suppliers or customers.

Our future performance and market value could cause future write-downs of intangible assets in future periods. The Company is required under generally accepted accounting principles to review its intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Factors that may be considered to be a change in circumstances indicating that the carrying value of the Company’s intangible assets may not be recoverable include, but are not limited to, a decline in stock price and market capitalization, a significant decrease in the market value of an asset or a significant decrease in operating or cash flow projections. No assurances can be given that the Company will not be required to record a significant, adverse charge to earnings during the period in which any impairment of its goodwill or intangible assets occurs.

We may not foresee or be able to control certain events that could adversely affect our business.

Unexpected events including fires or explosions at facilities, natural disasters, war, unplanned outages, equipment failures, failure to meet product specifications, or a disruption in certain of our operations may cause our operating costs to increase or otherwise impact our financial performance.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

The location and general description of the principal properties which are owned or leased by L. B. Foster Company, together with the segment of the Company's business using the properties, are set forth in the following table:

Location	Function	Acres	Business Segment	Lease Expires
Bedford, PA	Bridge component fabricating plant.	10	Construction	Owned
Birmingham, AL	Pipe coating facility.	32	Tubular	2017
Columbia City, IN	Rail processing facility and yard storage.	22	Rail	Owned
Georgetown, MA	Bridge component fabricating plant.	11	Construction	Owned
Hillsboro, TX	Precast concrete facility.	9	Construction	Owned
Houston, TX	Yard storage.	20	Tubular, Rail and Construction	2018
Kenova, WV	Shipping systems facility.	N/A	Rail	2014
Leicester, United Kingdom	Material handling manufacturing plant.	N/A	Rail	2014
Magnolia, TX	Threading facility and joint venture manufacturing facility.	35	Tubular	Owned
Niles, OH	Rail fabrication. Yard storage.	35	Rail	Owned
Burnaby, British Columbia, Canada	Friction management products plant.	N/A	Rail	2021
Petersburg, VA	Piling storage facility.	48	Construction	Owned
Pueblo, CO	Rail joint manufacturing.	9	Rail	Owned
Saint-Jean-sur-Richelieu, Quebec, Canada	Rail anchors and track spikes manufacturing plant.	17	Rail	Owned
Sheffield, United Kingdom	Track component and friction management products facility.	N/A	Rail	2019
Spokane, WA	CXT concrete tie plant.	13	Rail	2015
Spokane, WA	Precast concrete facility.	5	Construction	2015
Tucson, AZ	CXT concrete tie plant.	19	Rail	2012

Included in the above property listing are locations for which there is no acreage included in the lease. These properties have been indicated as "N/A."

The Company provided notice to the landlord of the Houston, TX facility that the Company will terminate the lease effective April 30, 2012.

The Company has entered into discussions with the UPRR in regards to extending the concrete tie supply agreement for it's Tucson, AZ facility. This agreement and the related lease expire on December 31, 2012.

Including the properties listed above, the Company has 15 sales offices, including its headquarters in Pittsburgh, PA and four business offices acquired through the Portec acquisition, and 21 warehouses, plant and yard facilities located

throughout the United States, Canada and United Kingdom. The Company's facilities are in good condition.

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ITEM 3. LEGAL PROCEEDINGS

The Company is not subject to any material environmental or legal proceedings. As of December 31, 2011 and 2010, the Company maintained environmental and litigation reserves approximating \$2,184,000 and \$2,799,000, respectively. More information regarding the Company's other commitments and contingencies is set forth in Item 8, Note 21.

ITEM 4. MINE SAFETY DISCLOSURES

This item is not applicable to the Company.

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EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning the executive officers of the Company is set forth below.

Name	Age	Position
Robert P. Bauer	53	President and Chief Executive Officer
Merry L. Brumbaugh	54	Vice President – Tubular Products
Joseph S. Cancilla	46	Vice President, General Counsel and Secretary
Samuel K. Fisher	59	Vice President – Rail Distribution
Donald L. Foster	56	Senior Vice President – Construction Products
Kevin R. Haugh	55	Vice President– CXT Concrete Products
John F. Kasel	47	Senior Vice President – Operations and Manufacturing
Brian H. Kelly	52	Vice President – Human Resources
Gregory W. Lippard	43	Vice President – Rail Product Sales
Konstantinos Papazoglou	59	Vice President – Friction Management
Linda K. Patterson	62	Controller
David J. Russo	53	Senior Vice President, Chief Financial and Accounting Officer and Treasurer
David R. Sauder	41	Vice President – Global Business Development

Mr. Bauer was elected President and Chief Executive Officer upon joining the Company in February 2012. Prior to joining the Company, Mr. Bauer previously served from June 1, 2011 as President of the Refrigeration Division of the Climate Technologies business of Emerson Electric Co., a diversified global manufacturing and technology company. From January 1, 2002 until May 31, 2011, Mr. Bauer served as President of Emerson Network Power’s Liebert Division.

Ms. Brumbaugh was elected Vice President – Tubular Products in November 2004, having previously served as General Manager, Coated Products since 1996. Ms. Brumbaugh has served in various capacities with the Company since her initial employment in 1980.

Mr. Cancilla was elected Vice President, General Counsel and Secretary upon joining the Company in August 2011. Prior to joining the Company, Mr. Cancilla was employed by Siemens Industry, Inc. from July 2007 until July 2011 as Counsel to the company’s water and wastewater treatment technologies and metal technologies business units. Prior to that, he was Corporate Counsel for Wheeling-Pittsburgh Steel Corporation from May 2005 to June 2007 and Associate Counsel for Alcoa Inc. from May 2003 to May 2005. He began his law career with Buchanan Ingersoll Professional Corporation as an associate attorney in the Firm’s Corporate Finance practice group from September 1999 to May 2003.

Mr. Fisher’s title was changed to Vice President – Rail Distribution effective January 2011, as part of organizational changes within the Rail Products segment, having previously served as Senior Vice President – Rail since October 2002. From June 2000 until October 2002, Mr. Fisher served as Senior Vice President – Product Management. From October 1997 until June 2000, Mr. Fisher served as Vice President – Rail Procurement. Prior to October 1997, Mr. Fisher served in various other capacities with the Company since his employment in 1977.

Mr. Donald Foster was elected Senior Vice President – Construction Products in February 2005, after having served as Vice President – Piling Products since November 2004 and General Manager of Piling since September 2004. Prior to joining the Company, Mr. Foster was President of Metalsbridge, a financed supply chain logistics entity. He served U.S. Steel Corporation as an officer from 1999 to 2003. During that time, Mr. Foster functioned as Vice President

International, President of UEC Technologies and President, United States Steel International, Inc.

Mr. Haugh was elected Vice President – CXT Concrete Products in March 2008 after joining the organization in February 2008. Prior to joining the Company, Mr. Haugh served as Executive Vice President of CANAC, Inc., a subsidiary of Savage Services, and Senior Vice President of Savage Services from 2001 to 2008. His career also included President of Railserve, Inc. prior to 2001.

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Mr. Kasel was elected Senior Vice President – Operations and Manufacturing in May 2005 having previously served as Vice President – Operations and Manufacturing since April 2003. Mr. Kasel served as Vice President of Operations for Mammoth, Inc., a Nortek company from 2000 to 2003. His career also included General Manager of Robertshaw Controls and Operations Manager of Shizuki America prior to 2000.

Mr. Kelly was elected Vice President, Human Resources in October 2006 after joining the organization in September 2006. Prior to joining the Company, Mr. Kelly headed Human Resources for 84 Lumber Company from June 2004. Previously, he served as a Director of Human Resources for American Greetings Corp. from June 1994 to June 2004, and he began his career with Nabisco in 1984, serving in progressively responsible generalist human resources positions in both plants and headquarters.

Mr. Lippard was elected Vice President – Rail Product Sales in June 2000. Prior to re-joining the Company in 2000, Mr. Lippard served as Vice President – International Trading for Tube City, Inc. from June 1998. Mr. Lippard served in various other capacities with the Company since his initial employment in 1991.

Mr. Papazoglou was elected Vice President – Friction Management in March 2011. Prior to joining the Company in December 2010, Mr. Papazoglou served as Executive Vice President and Chief Operating Officer for Portec Rail Products, Inc. from October 2006. Mr. Papazoglou served in various other capacities with Portec since his initial employment in 1978.

Ms. Patterson was elected Controller in February 1999, having previously served as Assistant Controller since May 1997 and Manager of Accounting since March 1988. Prior to March 1988, Ms. Patterson served in various other capacities with the Company since her employment in 1977.

Mr. Russo was elected Senior Vice President, Chief Financial and Accounting Officer and Treasurer in March 2010 having served previously as Senior Vice President, Chief Financial Officer and Treasurer since December 2002. From July 2002 to December 2002, Mr. Russo served as Vice President and Chief Financial Officer. Mr. Russo was Corporate Controller of WESCO International Inc., a distributor of electrical and industrial MRO supplies and integrated supply services, from 1999 until joining the Company in 2002. Mr. Russo also served as Corporate Controller of Life Fitness Inc., an international designer, manufacturer and distributor of aerobic and strength training fitness equipment.

Mr. Sauder was elected Vice President – Global Business Development upon joining the Company in November 2008. Prior to joining the Company, Mr. Sauder was Director, Global Business Development at Joy Mining Machinery where he was responsible for leading mergers and acquisitions and new business initiatives from December 2007. Prior to that, he was Manager, Business Development for Eaton Corporation from April 2006 to December 2007. He previously held various positions of increasing responsibility at Duquesne Light Company from August 1998 to April 2006 and PNC Bank from February 1993 to August 1998.

Officers are elected annually at the organizational meeting of the Board of Directors following the annual meeting of stockholders.

Code of Ethics

L. B. Foster Company has a legal and ethical conduct policy applicable to all directors and employees, including its Chief Executive Officer, Chief Financial Officer and Controller. This policy is posted on the Company's website, www.lbfoster.com. The Company intends to satisfy the disclosure requirement regarding certain amendments to, or waivers from, provisions of its policy by posting such information on the Company's website.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Stock Market Information

The Company had 492 common shareholders of record on February 17, 2012. Common stock prices are quoted daily through the NASDAQ Global Select Market quotation service (Symbol FSTR). The quarterly high and low bid price quotations for common shares (which represent prices between broker-dealers and do not include markup, markdown or commission and may not necessarily represent actual transactions) follow:

Quarter	2011			2010		
	High	Low	Dividends	High	Low	Dividends
First	\$43.15	\$37.76	\$0.025	\$32.49	\$25.21	\$0.00
Second	43.58	30.22	0.025	32.48	25.92	0.00
Third	38.44	16.94	0.025	31.69	25.52	0.00
Fourth	30.18	21.02	0.025	41.00	28.09	0.00

Dividends

The Company's credit facility permits it to pay dividends and distributions and make redemptions with respect to its stock providing no event of default or potential default (as defined in the facility agreement) has occurred prior to or after giving effect to the dividend, distribution, or redemption. Dividends, distributions, and redemptions are capped at \$15.0 million per year when funds are drawn on the facility. If no drawings on the facility exist, dividends, distributions, and redemptions in excess of \$15.0 million per year are subjected to a limitation of \$75.0 million in aggregate. The \$75.0 million aggregate limitation also includes certain loans, investments, and acquisitions.

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Performance Graph

The following table compares total shareholder returns for the Company over the last five years to the NASDAQ Composite Index and the Company's Peer Group assuming a \$100 investment made on December 31, 2006. Each of the three measures of cumulative total return assumes reinvestment of dividends. The stock performance shown on the graph below is not necessarily indicative of future price performance.

The Company's Peer Group is composed of Michael Baker Corp., A.M. Castle & Co., Greenbrier Cos., Inc., Northwest Pipe Co, Texas Industries Inc. and Wabtec Corporation. The Company's peer group was established by selecting similar companies in the rail, construction and steel industries.

	Cumulative Total Return					
	12/06	12/07	12/08	12/09	12/10	12/11
L.B. Foster Company	\$100.00	\$199.65	\$120.73	\$115.05	\$158.01	\$109.55
NASDAQ Composite	100.00	110.26	65.65	95.19	112.10	110.81
Peer Group	100.00	110.51	82.90	84.98	107.33	110.62

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Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of December 31, 2011 with respect to compensation plans under which equity securities of the Company are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities to be issued upon exercise)
Equity compensation plans approved by shareholders	39,950	\$ 8.94	321,653
Equity compensation plans not approved by shareholders	-	-	-
Total	39,950	\$ 8.94	321,653

The Company awarded shares of its common stock to its outside directors on a biannual basis from June 2000 through January 2003 under an arrangement not approved by the Company's shareholders. A total of 22,984 shares of common stock were so awarded and this program has been terminated. At the Company's 2003 Annual Shareholders' Meeting, a new plan was approved by the Company's shareholders under which outside directors received 2,500 shares of the Company's common stock at each annual shareholder meeting at which such outside director was elected or re-elected, commencing with the Company's 2003 Annual Shareholders' Meeting. Through 2005 there were 30,000 shares issued under this plan. This plan was discontinued on May 24, 2006 when the Company's shareholders approved the 2006 Omnibus Incentive Plan. Under the 2006 Omnibus Incentive Plan, non-employee directors automatically are awarded 3,500 shares, or a lesser amount determined by the directors, of the Company's common stock at each annual shareholder meeting at which such non-employee director is elected or re-elected, commencing May 24, 2006. Through December 31, 2011, there were 78,500 fully vested shares issued under the 2006 Omnibus Incentive Plan to non-employee directors. Additionally, pursuant to the 2006 Omnibus Incentive Plan, during 2011, the Company issued to its officers approximately 20,000 fully-vested shares in lieu of a cash payment earned under the Three Year Incentive Plan.

The Company will repurchase shares of restricted stock when issued to pay for withholding taxes. During 2011, the Company repurchased 5,813 shares for approximately \$0.2 million. During 2010, the Company repurchased 493 shares for less than \$0.1 million.

Issuer Purchases of Equity Securities

On May 23, 2011, the Board of Directors authorized the repurchase of up to \$25.0 million of the Company's common shares until December 31, 2013. The Company did not purchase any of its equity securities during the fourth quarter of 2011. During 2011, the Company purchased 278,655 shares totaling approximately \$6.5 million.

The Company purchased 951,673 shares totaling approximately \$28.3 million under previous authorization for repurchases under plans that expired on December 31, 2010.

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ITEM 6. SELECTED FINANCIAL DATA

Year Ended December 31,

Income Statement Data	2011 (1) (2)	2010 (3)	2009 (4)	2008 (5)	2007 (6)
	(All amounts are in thousands, except per share data)				
Net sales	\$ 590,926	\$ 475,050	\$ 404,020	\$ 539,236	\$ 528,200
Operating profit	\$ 32,096	\$ 31,995	\$ 24,357	\$ 39,249	\$ 38,980
Income from continuing operations	\$ 22,895	\$ 20,492	\$ 15,727	\$ 27,746	\$ 110,724
Loss from discontinued operations, net of tax	-	-	-	-	(31)
Net income	\$ 22,895	\$ 20,492	\$ 15,727	\$ 27,746	\$ 110,693
Basic earnings per common share:					
Continuing operations	\$ 2.24	\$ 2.01	\$ 1.55	\$ 2.60	\$ 10.39
Discontinued operations	-	-	-	-	-
Basic earnings per common share	\$ 2.24	\$ 2.01	\$ 1.55	\$ 2.60	\$ 10.39
Diluted earnings per common share:					
Continuing operations	\$ 2.22	\$ 1.98	\$ 1.53	\$ 2.57	\$ 10.09
Discontinued operations	-	-	-	-	-
Diluted earnings per common share	\$ 2.22	\$ 1.98	\$ 1.53	\$ 2.57	\$ 10.09

- (1) 2011 includes the results of Portec, which was acquired on December 15, 2010. More information about the acquisition of Portec can be found in Item 8, Note 3 to the financial statements included herein, which is incorporated by reference into this Item 6.
- (2) 2011 includes a pre-tax gain of \$577 associated with the early termination of the lease associated with the Company's sale-leaseback transaction.
- (3) 2010 includes a pre-tax gain of \$1,364 associated with the remeasurement of the remaining Portec available-for-sale investment on the acquisition date.
- (4) 2009 includes a pre-tax gain of \$1,194 associated with the sale of available-for-sale marketable securities.
- (5) 2008 includes pre-tax gains of \$2,022 associated with the receipt of escrow proceeds related to the prior year sale of the Company's Dakota, Minnesota and Eastern Railroad investment and \$1,486 from the sale and lease-back of our threaded products facility in Houston, TX.
- (6)

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2007 includes \$8,472 in dividend income and a \$122,885 pre-tax gain due to the announcement and consummation, respectively, of the sale of the Company's investment in the DM&E.

Balance Sheet Data	2011	2010	December 31,		2007
			2009	2008	
In thousands					
Total assets	\$ 379,894	\$ 378,402	\$ 331,594	\$ 332,120	\$ 330,772
Working capital	155,261	142,303	210,332	202,264	200,645
Long-term debt	51	2,399	13,197	21,734	28,056
Stockholders' equity	269,815	255,747	232,592	217,562	213,826

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Level Overview

On February 1, 2012, we welcomed Mr. Robert P. Bauer as our new President and Chief Executive Officer. Mr. Bauer replaced Stan L. Hasselbusch who, after serving as President and Chief Executive Officer for ten years, retired effective February 1, 2012.

During 2011, we undertook the following initiatives to enhance shareholder value:

- We commenced a quarterly dividend of \$0.025 per share.
- We purchased 278,655 shares for \$6.5 million under a \$25.0 million share repurchase plan announced in May 2011.

In December 2010, the UPRR opted not to extend the supply agreement and lease for our Grand Island, NE tie facility. Production for the remaining orders from this facility was completed during the first quarter of 2011. We wound down operations and dismantled the facility during the first half of 2011 and closed the plant in February 2012. As a result of this closure, we recorded within cost of goods sold approximately \$4.4 million in charges consisting of a \$3.0 million charge to fulfill a customer contractual obligation that could not be sourced from Grand Island, NE, a \$0.8 million charge for unsalable concrete ties, and a \$0.6 million charge for concrete ties supplied to a Midwestern transit agency. Sales from this facility were \$2.2 million in 2011 compared to \$20.4 million in 2010.

In May 2011, we entered into a new \$125.0 million revolving credit and security agreement with a group of four banks. The agreement provides for a five-year, unsecured revolving credit facility that permits borrowing up to \$125.0 million for the US Borrowers, including a sublimit of the equivalent of \$15.0 million US dollars that is available to the Canadian Borrowers. Providing no event of default exists, the agreement contains a provision that provides for an increase in the revolver facility of \$50.0 million that can be allocated to existing or new Lenders if our borrowing requirements should grow. The agreement also includes a sublimit of \$20.0 million for the issuance of trade and standby letters of credit.

Finally, during 2011, we made substantial progress integrating Portec into our existing businesses to leverage off of each company's core competencies, merge certain administrative functions and reduce duplicative costs.

2011 Developments

Union Pacific Railroad Product Warranty Claim

On July 12, 2011 the Union Pacific Railroad (UPRR) notified us and our subsidiary, CXT Incorporated (CXT), of a warranty claim under CXT's 2005 supply contract relating to the sale of prestressed concrete railroad ties for the UPRR. The UPRR has asserted that a significant percentage of concrete ties manufactured in 2006 through 2010 at CXT's Grand Island, NE facility fail to meet contract specifications, have workmanship defects and are cracking and failing prematurely. Approximately 1.6 million ties were sold from Grand Island to the UPRR during the period the UPRR has claimed nonconformance. The 2005 contract calls for each concrete tie which fails to conform to the specifications or has a material defect in workmanship to be replaced with 1.5 new concrete ties, provided, that UPRR within five years of a concrete tie's production, notifies CXT of such failure to conform or such defect in workmanship. The UPRR's notice does not specify how many ties manufactured during this period are defective nor which specifications it claims were not met or the nature of the alleged workmanship defects. CXT believes it uses sound workmanship processes in the manufacture of concrete ties and has not agreed with the assertions in the UPRR's warranty claim notice. The UPRR has also notified CXT that ties have failed a certain test that is specified in the

2005 contract.

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Since late July 2011, the Company and CXT have been working with material scientists and prestressed concrete experts, who have been testing a representative sample of Grand Island concrete ties. While this testing is not complete, we have not identified any appreciable defects in workmanship. Additionally, a customer of the UPRR has claimed that a representative sample of ties manufactured by our Grand Island facility have failed a test contained in our product specification. As a result of this specific allegation, the UPRR has informed the Company that they currently intend to remove approximately 115,000 ties from track, which are a subset of ties subject to the July 12, 2011 claim. We are reviewing this claim and, while our review is not complete, we continue to believe that these ties do not have a material deviation from our contractual specifications. We expect that the testing required to address this product specification issue will be completed sometime during the latter part of the second quarter of 2012; however, we expect that we will continue to work collaboratively with the UPRR to address their overall product claim for some time to come.

On January 11, 2012, CXT received a subpoena from the United States Department of Transportation Inspector General (“IG”) requesting records related to its manufacture of concrete railroad ties in Grand Island, Nebraska. We believe that this subpoena relates to the same set of circumstances giving rise to the UPRR product claim. CXT and the Company intend to cooperate fully with the IG. We cannot predict what impact, if any, this investigation will have on the UPRR’s product claim.

Based on the non-specific nature of the UPRR’s assertion and our current inability to verify the claims, we are unable to determine a range of reasonably possible outcomes regarding this potential exposure matter. As a result, no accruals were made as a result of this claim as the impact, if any, cannot be reasonably estimated at this time. No assurances can be given regarding the ultimate outcome of this matter. The ultimate resolution of this matter could have a material, adverse impact on our financial statements, results of operations, liquidity and capital resources.

Portec acquisition

Included in our 2011 Rail Products Segment are the results of operations for our Portec subsidiary. We acquired Portec on December 15, 2010 for approximately \$113.3 million in cash. Portec reported net sales of \$106.1 million, gross profit of \$36.0 million, total expenses of \$25.3 million and net income of \$8.6 million for the year ended December 31, 2011. The 2010 acquisition period consisted of approximately two weeks from the acquisition date through December 31, 2010. Therefore, the results of operations portion of Management’s Discussion and Analysis of Financial Condition and Results of Operations will not include a substantive comparison of the Portec results. Portec contributed \$4.8 million in net sales, \$0.6 million in gross profit and a net loss of \$(0.2) million in the two week period from the acquisition date through December 31, 2010.

Other Matters

We recorded incremental warranty charges of approximately \$1.8 million during the 2011 fourth quarter, a portion of which was related to a product issue with a transit authority and the remainder for concrete ties based on historical claim experience. No charges have been recorded related specifically for the UPRR product claim dated July 12, 2011. These charges were recorded within cost of goods sold and reported through our Rail Products segment.

During 2011, we provided the lessor of our Houston, TX property with written notice of our termination of the lease in its entirety effective April 30, 2012. As a result of this termination, we recognized \$577,000 of previously deferred gain. At December 31, 2011, approximately \$457,000 of unrecognized deferred gain is being amortized over the remaining life of the lease.

General

L.B. Foster Company is a leading manufacturer, fabricator and distributor of products and services for the rail, construction, energy and utility markets. The Company is comprised of three business segments: Rail products, Construction products and Tubular products.

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Rail Products

The Rail products segment is composed of several manufacturing and distribution businesses that provide a variety of products for railroads, transit authorities, industrial companies and mining applications throughout North America and the United Kingdom. Rail products has sales offices throughout the United States, Canada and the United Kingdom and frequently bids on rail projects where it can offer products manufactured by the Company or sourced from numerous suppliers. These products may be provided as a package to rail lines, transit authorities and construction contractors which reduces the customer's procurement efforts and provides value added, just in time delivery.

The Rail products segment designs and manufactures bonded insulated rail joints, cuts and drills rail and manufactures concrete cross ties and turnout ties. The Company has concrete tie manufacturing facilities in Spokane, WA and Tucson, AZ. The Company also has two facilities that design, test and fabricate rail products in Atlanta, GA and Niles, OH.

Through our Portec subsidiary, we engineer, manufacture and assemble friction management products, railway wayside data collection and management systems and engineer and sell securement systems and related products.

The Rail distribution business provides our customers with access to a variety of products including stick rail, continuous welded rail, specialty trackwork, power rail and various rail accessories. This is a highly competitive business that, once specifications are met, depends heavily on pricing. The Company maintains relationships with several rail manufacturers but procures the majority of the rail it distributes from one supplier. Rail accessories are sourced from a wide variety of suppliers.

Construction Products

The Construction products segment is composed of the following business units: piling, fabricated products, and precast concrete buildings.

The piling division, via a sales force deployed throughout the United States, markets and sells piling internationally. This division offers its customers various types and dimensions of structural beam piling, sheet piling, and pipe piling. These piling products are sourced from various suppliers. The Company is the primary distributor of domestic bearing pile and sheet piling for its primary supplier.

The fabricated products unit manufactures a number of fabricated steel and aluminum products primarily for the highway, bridge and transit industries including grid reinforced concrete deck and open steel grid flooring systems, guardrails, and expansion joints and heavy structural steel fabrications.

The precast concrete buildings unit manufactures concrete buildings for national, state and municipal parks. This unit manufactures restrooms, concession stands and other protective storage buildings available in multiple designs, textures and colors. The Company believes it is the leading high-end supplier in terms of volume, product options and capabilities. The buildings are manufactured in Spokane, WA and Hillsboro, TX.

Tubular Products

The Tubular products segment has two discrete business units: coated pipe and threaded products.

The coated pipe unit, located in Birmingham, AL, coats the outer dimension and, to a lesser extent, the inner dimension of pipe primarily for the gas transmission and, to a much lesser extent, oil transmission industries. Coated pipe partners with its primary customer, a pipe manufacturer, to market fusion bonded epoxy coatings, abrasion resistant coatings and internal linings for a wide variety of pipe dimensions for pipeline projects throughout North America.

The threaded products unit, located in Magnolia, TX, cuts, threads and paints pipe primarily for water well applications for the agriculture industry and municipal water authorities.

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Joint Venture

In May 2009, the Company completed the formation of a joint venture with L B Industries, Inc. for a period of 9.5 years. The Company and L B Industries each have a 45% ownership interest in the joint venture (JV), L B Pipe & Coupling Products, LLC. The Company has made all of its mandatory capital contributions under the joint venture agreement totaling \$3.0 million.

This venture commenced operations in 2010 and manufactures, markets and sells various products for the energy, utility and construction markets.

Critical Accounting Policies and Estimates

The Company's significant accounting policies are described in Note 1 to the consolidated financial statements. The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States. When more than one accounting principle, or the method of its application, is generally accepted, management selects the principle or method that is appropriate in the Company's specific circumstance. Application of these accounting principles requires management to make estimates that affect the reported amount of assets, liabilities, revenues, and expenses, and the related disclosure of contingent assets and liabilities. The following critical accounting policies relate to the Company's more significant judgments and estimates used in the preparation of its consolidated financial statements. There can be no assurance that actual results will not differ from those estimates.

Goodwill – Goodwill is required to be tested for impairment at least annually. The Company performs its annual impairment test as of October 1st and more frequently when indicators of impairment are present. The goodwill impairment test involves comparing the fair value of a reporting unit to its carrying value, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, a second step is required to measure the goodwill impairment loss. This step compares the implied fair value of the reporting unit's goodwill to the carrying amount of that goodwill. If the carrying amount of the goodwill exceeds the implied fair value of the goodwill, an impairment loss equal to the excess is recorded as a component of continuing operations. The Company uses a combination of market approach and a discounted cash flow model (DCF model) to determine the current fair value of the business. A number of significant assumptions and estimates are involved in the application of the DCF model to forecast operating cash flows, including markets and market share, sales volume and pricing, costs to produce and working capital changes. The Company considers historical experience and available information at the time the fair values of its business are estimated. However, actual amounts realized may differ from those used to evaluate the impairment of goodwill. If actual results are not consistent with our assumptions and judgments used in estimating future cash flows and asset fair values, the Company may be exposed to impairment losses that could be material to our results of operations. There were no goodwill impairments recorded during the three years ended December 31, 2011.

Asset impairment – The Company is required to test for asset impairment whenever events or changes in circumstances indicate that the carrying value of an asset might not be recoverable. The Company applies the guidance in FASB ASC 360-10-35, and related guidance, in order to determine whether or not an asset is impaired. This guidance indicates that if the sum of the future expected cash flows associated with an asset, undiscounted and without interest charges, is less than the carrying value, an asset impairment must be recognized in the financial statements. The amount of the impairment is the difference between the fair value of the asset and the carrying value of the asset. The Company believes that the accounting estimate related to asset impairment is a "critical accounting estimate" as it is highly susceptible to change from period to period and because it requires management to make assumptions about the existence of impairment indicators and cash flows over future years. These assumptions impact the amount of an impairment, which would have an impact on the income statement. There were no asset impairments recorded during the three years ended December 31, 2011.

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Allowance for Bad Debts – The Company’s operating segments encounter risks associated with the collection of accounts receivable. As such, the Company records a monthly provision for accounts receivable that are deemed uncollectible. In order to calculate the appropriate monthly provision, the Company reviews its accounts receivable aging and calculates an allowance through application of historic reserve factors to overdue receivables. This calculation is supplemented by specific account reviews performed by the Company’s credit department. As necessary, the application of the Company’s allowance rates to specific customers is reviewed and adjusted to more accurately reflect the credit risk inherent within that customer relationship. The reserve is reviewed on a monthly basis. An account receivable is written off against the allowance when management determines it is uncollectible.

The Company believes that the accounting estimate related to the allowance for bad debts is a “critical accounting estimate” because the underlying assumptions used for the allowance can change from period to period and the allowance could potentially cause a material impact to the income statement. Specific customer circumstances and general economic conditions may vary significantly from management’s assumptions and may impact expected earnings. At December 31, 2011 and 2010, the Company maintained an allowance for bad debts of \$1.8 million and \$1.6 million, respectively.

Product Warranty – The Company maintains a current warranty for the repair or replacement of defective products. For certain manufactured products, an accrual is made on a monthly basis as a percentage of cost of sales. For long-term construction projects, a warranty is established when the claim is known and quantifiable. The product warranty accrual is periodically adjusted based on the identification or resolution of known individual product warranty claims. The Company believes that this is a “critical accounting estimate” because the underlying assumptions used to calculate the warranty can change from period to period. At December 31, 2011 and 2010, the product warranty was \$6.6 million and \$4.4 million, respectively. For additional information regarding the Company’s product warranty, refer to Part II, Item 8, Footnote 21 “Commitments and Contingent Liabilities.”

Slow-Moving Inventory – Slow-moving inventory is reviewed and adjusted routinely, taking into account numerous factors such as quantities-on-hand versus turnover, product knowledge, and physical inventory observations. This review is performed on a specific product basis and effectively establishes a new cost for the underlying product. The Company believes this is a “critical accounting estimate” because the underlying assumptions can change from period to period and could have a material impact on the income statement.

Revenue Recognition – The Company’s revenues are composed of product sales and products and services provided under long-term contracts. For product sales, the Company recognizes revenue upon transfer of title to the customer. Title generally passes to the customer upon shipment. In limited cases, title does not transfer and revenue is not recognized until the customer has received the products at its physical location. Shipping and handling costs are included in cost of goods sold. Revenues for products under long-term contracts are generally recognized using the percentage-of-completion method based upon the proportion of actual costs incurred to estimated total costs. For certain products, the percentage of completion is based upon actual labor costs to estimated total labor costs. Revenues recognized using percentage of completion were less than 10% of the Company’s consolidated revenues for the year ended December 31, 2011. With the addition of Portec, the contribution of revenues recognized using percentage of completion is expected to continue to decline in future periods.

Pension Plans – The calculation of the Company’s net periodic benefit cost (pension expense) and benefit obligation (pension liability) associated with its defined benefit pension plans (pension plans) requires the use of a number of assumptions that the Company deems to be “critical accounting estimates.” Changes in these assumptions can result in a different pension expense and liability amounts, and future actual experience can differ significantly from the assumptions. The Company believes that the two most critical assumptions are the expected long-term rate of return on plan assets and the assumed discount rate.

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The expected long-term rate of return reflects the average rate of earnings expected on funds invested or to be invested in the pension plans to provide for the benefits included in the pension liability. The Company establishes the expected long-term rate of return at the beginning of each fiscal year based upon information available to the Company at that time, including the plan's investment mix and the forecasted rates of return on these types of securities. Any differences between actual experience and assumed experience are deferred as an unrecognized actuarial gain or loss. The unrecognized actuarial gains or losses are amortized in accordance with applicable guidance, generally FASB ASC 712, "Compensation – Nonretirement postemployment benefits." The weighted average expected long-term rate of return determined by the Company for 2011 and 2010 pension expense was 6.70% and 7.75%, respectively. Pension expense increases as the expected long-term rate of return decreases.

The assumed discount rate reflects the current rate at which the pension benefits could effectively be settled. In estimating that rate, applicable guidance requires that the Company looks to rates of return on high quality, fixed income investments. The Company's pension liability increases as the discount rate is reduced. Therefore, the decline in the assumed discount rate has the effect of increasing the Company's pension obligation and future pension expense. The weighted average assumed discount rate used by the Company was 4.50% and 5.50%, respectively, as of December 31, 2011 and 2010.

Deferred Tax Assets – The recognition of deferred tax assets requires management to make judgments regarding the future realization of these assets. As prescribed by FASB ASC 740, "Income Taxes," valuation allowances must be provided for those deferred tax assets for which it is more likely than not (a likelihood more than 50%) that some portion or all of the deferred tax assets will not be realized. This guidance requires management to evaluate positive and negative evidence regarding the recoverability of deferred tax assets. Determination of whether the positive evidence outweighs the negative and quantification of the valuation allowance requires management to make estimates and judgments of future financial results. The Company believes that these estimates and judgments are "critical accounting estimates."

The Company evaluates all tax positions taken on the state and federal tax filings to determine if the position is more likely than not to be sustained upon examination. For positions that meet the more likely than not to be sustained criteria, an evaluation to determine the largest amount of benefit, determined on a cumulative probability basis that is more likely than not to be realized upon ultimate settlement, is determined. A previously recognized tax position is derecognized when it is subsequently determined that a tax position no longer meets the more likely than not threshold to be sustained. The evaluation of the sustainability of a tax position and the probable amount that is more likely than not is based on judgment, historical experience and on various other assumptions. The results of these estimates, that are not readily apparent from other sources, form the basis for recognizing an uncertain tax position liability. Actual results could differ from those estimates upon subsequent resolution of identified matters.

Refer to Part II, Item 8, Footnote 15, "Income Taxes." The Company's ability to realize these tax benefits may affect the Company's reported income tax expense and net income.

Contingencies – The Company is currently involved in certain legal proceedings. When a probable, estimable exposure exists, the Company accrues the estimate of the probable costs for the resolution of these matters. These estimates have been developed in consultation with legal counsel involved in the defense of these matters and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. Future results of operations could be materially affected by changes in our assumptions or the outcome of these proceedings.

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The Company's operations are subject to national, state, foreign, provincial, and/or local laws and regulations that impose limitations and prohibitions on the discharge and emission of, and establish standards for the use, disposal, and management of, regulated materials and waste, and that impose liability for the costs of investigating and cleaning up, and damages resulting from, present and past spills, disposals, or other releases of hazardous substances or materials. Liabilities are recorded when remedial efforts are probable and the costs can be reasonably estimated. Estimates are not reduced by potential claims for recovery. Claims for recovery are recognized as agreements are reached with third parties or as amounts are received. Established reserves are periodically reviewed and adjusted to reflect current remediation progress, prospective estimates of required activity, and other factors that may be relevant, including changes in technology or regulations. As of December 31, 2011 and 2010, the Company maintained environmental and legal contingency reserves approximating \$2.2 million and \$2.8 million, respectively.

Refer to Part II, Item 8, Footnote 21, "Commitments and Contingent Liabilities."

New Accounting Pronouncements

In June 2011, the FASB issued ASU No. 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income." This guidance will require companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements. It eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The standard does not change the items which must be reported in other comprehensive income, how such items are measured or when they must be reclassified to net income. The update is effective for interim and annual periods beginning after December 15, 2011. The guidance will have no impact on the Company's financial condition or results of operations.

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Quarterly Results of Operations

	Three Months Ended		Percent of Total Net Revenues		Percent Increase/(Decrease) 2011 vs. 2010
	December 31,		Three Months Ended		
	2011	2010	2011	2010	

Net Sales:

Dollars in thousands					
Rail Products	\$ 76,054	\$ 63,598	55.4 %	43.0 %	19.6 %
Construction Products	53,077	77,365	38.6	52.3	(31.4)
Tubular Products	8,288	7,020	6.0	4.7	18.1
Total Net Sales	\$ 137,419	\$ 147,983	100.0 %	100.0 %	(7.1) %

	Three Months Ended		Gross Profit Percentage		Percent Increase/(Decrease) 2011 vs. 2010
	December 31,		Three Months Ended		
	2011	2010	2011	2010	

Gross Profit:

Dollars in thousands					
Rail Products	\$ 17,098	\$ 7,837	22.5 %	12.3 %	118.2 %
Construction Products	9,015	11,580	17.0	15.0	(22.2)
Tubular Products	2,706	1,830	32.6	26.1	47.9
LIFO (Expense)/Credit	(1,042)	852	(0.8)	0.6	(222.3)
Other (Expense)/Income	(165)	54	(0.1)	0.0	**
Total Gross Profit	\$ 27,612	\$ 22,153	20.1 %	15.0 %	24.6 %

	Three Months Ended		Percent of Total Net Revenues		Percent Increase/(Decrease) 2011 vs. 2010
	December 31,		Three Months Ended		
	2011	2010	2011	2010	

Expenses:

Dollars in thousands					
Selling and Administrative Expenses	\$ 17,548	\$ 12,510	12.8 %	8.5 %	40.3 %
Amortization Expense	701	253	0.5	0.2	177.1
Interest Expense	179	306	0.1	0.2	(41.5)
Interest Income	(97)	(108)	(0.1)	(0.1)	(10.2)

Equity in Gains of Nonconsolidated Investments	(138)	(59)	(0.1)	(0.0)	**
Loss on Foreign Exchange	248	82	0.2	0.1	**
Gain on Marketable Securities	0	(1,364)	0.0	(0.9)	**
Other Income	(365)	(79)	(0.3)	(0.1)	**
Total Expenses	18,076	11,541	13.2 %	7.8 %	56.6 %
Income Before Income Taxes	9,536	10,612	6.9 %	7.2 %	(10.1) %
Income Tax Expense	3,433	4,373	2.5	3.0	(21.5)
Net Income	\$ 6,103	\$ 6,239	4.4 %	4.2 %	(2.2) %

** Results of calculation are not meaningful for presentation purposes.

Fourth Quarter 2011 Compared to Fourth Quarter 2010 – Company Analysis

Diluted earnings per share for the fourth quarter of 2011 were \$0.60, even with diluted earnings per share for the fourth quarter of 2010. Both gross profit and gross profit margin increased due to the inclusion of Portec's results, partially offset by an unfavorable LIFO charge to gross profit during the current period. This similar adjustment for LIFO reserve requirements had a positive impact for the prior year period.

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The addition of Portec resulted in increased selling and administrative expenses of approximately \$4.9 million. Exclusive of the impact of Portec, selling and administrative expenses in the 2011 period increased approximately \$0.2 million due mainly to approximately \$1.4 million in testing expenses for material scientists and prestressed concrete experts related to the UPRR product warranty claim.

As a result of the acquisition of Portec, amortization expense increased by approximately \$0.4 million and we recognized increased transactional foreign exchange losses for the three months ended December 31, 2011 primarily related to fluctuations in the exchange rates between the Canadian dollar and the United States dollar.

Also, we recognized more previously deferred gains associated with the early termination of a lease for our threaded products facility in Houston, TX. Finally, having a positive impact in the 2010 fourth quarter was the recognition of a \$1.4 million pre-tax gain associated with the remeasurement of our holding of Portec equity securities prior to our December 15, 2010 acquisition.

The effective income tax rate in the fourth quarter of 2011 was 36.0% compared to 41.2% in the prior year quarter. The decrease was primarily due to lower statutory tax rates related to the foreign operations acquired in the Portec business combination.

Results of Operations – Segment Analysis

Rail Products

	Three Months Ended December 31,		Increase/(Decrease) 2011 vs. 2010		Percent Increase/(Decrease) 2011 vs. 2010	
	2011	2010	Dollars in thousands			
Net Sales	\$ 76,054	\$ 63,598	\$ 12,456		19.6	%
Gross Profit	\$ 17,098	\$ 7,837	\$ 9,261		118.2	%
Gross Profit Percentage	22.5	%	12.3	%	10.2	%

Fourth Quarter 2011 Compared to Fourth Quarter 2010

Exclusive of the impact of Portec (\$23.1 million), our Rail Products segment 2011 sales decreased approximately \$10.6 million from the 2010 fourth quarter. While our operational tie plants both experienced concrete tie volume increases in the current quarter, they did not overcome the loss of sales from the closure of our Grand Island, NE facility. Additionally, our rail distribution business experienced a reduction in volumes sold, primarily from our decision to deemphasize the relay rail business. The 2010 quarter also included a large new rail project which was completed prior to the 2011 quarter.

Portec delivered approximately \$10.2 million in gross profit increases, while Foster Rail gross profit decreased by \$1.0 million. Exclusive of the impact of Portec, our Rail Products gross profit margin would have increased approximately 70 basis points as compared to the 2010 quarter.

Our transit products division drove this 2011 increase due mainly to product mix compared to the prior year quarter. Additionally, while our rail distribution business had reduced volumes, offsetting this were price increases which delivered gross profit margin expansion over the prior year period. Mitigating these favorable improvements

were the adverse cost of sales charges recorded by CXT. Mainly related to our now closed Grand Island, NE facility, this division recorded additional concrete tie warranty charges of approximately \$1.8 million in the 2011 quarter, a portion of which was related to a product issue with a transit authority and the remainder for concrete ties based on historical claim experience. No charges have been recorded related specifically for the UPRR product claim described previously.

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Construction Products

	Three Months Ended December 31,		Increase/(Decrease) 2011 vs. 2010		Percent Increase/(Decrease) 2011 vs. 2010	
	2011	2010				
Dollars in thousands						
Net Sales	\$ 53,077	\$ 77,365	\$ (24,288)	(31.4)%
Gross Profit	\$ 9,015	\$ 11,580	\$ (2,565)	(22.2)%
Gross Profit Percentage	17.0	%	15.0	%	2.0	%
					13.5	%

Fourth Quarter 2011 Compared to Fourth Quarter 2010

Our Construction Products backlog has been approximately 30-35% lower over the last few quarters. Additionally, new orders in the 2011 fourth quarter have decreased approximately 26.2% from the 2010 period. These cumulative effects have resulted in negative impacts on sales and gross profit in the current quarter.

The 2011 fourth quarter sales were negatively impacted by lower piling volumes and, to a lesser extent, lower concrete buildings volumes. The loss of federal stimulus spending led to more normalized sales of concrete buildings, a decrease of approximately 48% over the 2010 quarter.

Product mix within our piling division had an unfavorable impact on the prior year quarter, but drove the overall increase in gross profit margin for the segment in 2011. This margin increase, albeit over decreased volumes, fully offset margin declines in our concrete buildings division due to increased unfavorable manufacturing variances resulting from reduced sales volumes.

Tubular Products

	Three Months Ended December 31,		Increase/(Decrease) 2011 vs. 2010		Percent Increase/(Decrease) 2011 vs. 2010	
	2011	2010				
Dollars in thousands						
Net Sales	\$ 8,288	\$ 7,020	\$ 1,268		18.1	%
Gross Profit	\$ 2,706	\$ 1,830	\$ 876		47.9	%
Gross Profit Percentage	32.6	%	26.1	%	6.6	%
					25.2	%

Fourth Quarter 2011 Compared to Fourth Quarter 2010

The improvement in the 2011 quarter was driven by our coated pipe division. Increased sales volumes allowed us to leverage plant and other operating efficiencies in the 2011 quarter. Our threaded products division sales and gross profit were flat with the prior year period, however gross profit margin was negatively impacted by expenses associated with moving the threading operation from Houston, TX to Magnolia, TX.

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Year-to-date Results of Operations

	Twelve Months Ended December 31,			Percent of Total Net Revenues Year Ended December 31,			Percent Increase/(Decrease)		
	2011	2010	2009	2011	2010	2009	2011 vs. 2010	2010 vs. 2009	
	Dollars in thousands								
Net Sales:									
Rail Products	\$ 323,475	\$ 212,240	\$ 186,401	54.7 %	44.7 %	46.1 %	52.4 %	13.9 %	
Construction Products	234,981	235,591	196,480	39.8	49.6	48.6	(0.3)	19.9	
Tubular Products	32,470	27,219	21,139	5.5	5.7	5.2	19.3	28.8	
Total Net Sales	\$ 590,926	\$ 475,050	\$ 404,020	100.0 %	100.0 %	100.0 %	24.4 %	17.6 %	

	Twelve Months Ended December 31,			Gross Profit Percentage Year Ended December 31,			Percent Increase/(Decrease)		
	2011	2010	2009	2011	2010	2009	2011 vs. 2010	2010 vs. 2009	
	Dollars in thousands								
Gross Profit:									
Rail Products	\$ 60,263	\$ 27,352	\$ 16,056	18.6 %	12.9 %	8.6 %	120.3 %	70.4 %	
Construction Products	36,687								