

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, 2012

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

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

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 (section 232.405 of this chapter) 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.

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 \$275,049,000.

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 19, 2013
Common Stock, Par Value \$0.01	10,158,447 shares

Documents Incorporated by Reference:

Portions of the Proxy Statement prepared for the 2013 Annual Meeting of Shareholders 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

This Form 10-K contains “forward looking” statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are statements that do not relate strictly to historical or current facts. Sentences containing words such as “believe,” “intend,” “expect,” “may,” “should,” “anticipate,” “could,” “estimate,” “plan,” “predict,” “project,” or their negatives, or other similar expressions generally should be considered forward-looking statements. Forward-looking statements in this Annual Report on Form 10-K may concern, among other things, the Company’s expectations regarding our strategy, goals, plans and projections regarding our financial position, liquidity and capital resources, the outcome of the Inspector General subpoena, results of operations, decisions regarding our strategic growth strategies, market position, and product development, all of which are based on current estimates that involve inherent risks and uncertainties. The Company cautions readers that various factors could cause the actual results of the Company to differ materially from those indicated by forward-looking statements. Accordingly, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Among the factors that could cause the actual results to differ materially from those indicated in the forward-looking statements are risks and uncertainties related to: general business conditions, a decrease in freight or passenger rail traffic, a lack of state or federal funding for new infrastructure projects, the availability of material from major suppliers, labor disputes, the impact of competition, variances in current accounting estimates and their ultimate outcomes, the seasonality of the Company’s business, the adequacy of internal and external sources of funds to meet financing needs, the Company’s ability to curb its working capital requirements, taxes, foreign currency fluctuations, inflation, the ultimate number of concrete ties that will have to be replaced pursuant to product claims, and domestic and foreign governmental regulations. Should one or more of these risks or uncertainties materialize, or should the assumptions underlying the forward-looking statements prove incorrect, actual outcomes could vary materially from those indicated. 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 Annual Report on 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.

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 these segments is set forth in Part II, Item 8, Note 2 to the financial statements included herein, which is incorporated by reference into this Item 1.

During 2012, the Company changed the names of several of its subsidiary companies acquired in 2010 from Portec Rail Products, Inc. (Portec Rail) to L.B. Foster Rail Technologies. This change was made to more accurately brand the innovative unit and better represent its rail product development capabilities. The new naming structure brings added recognition to the Rail Technologies business. Included in the name changes were the following:

Kelsan Technologies Corp. was changed to L.B. Foster Rail Technologies, Corp.

Portec Rail Products, Inc. was changed to L.B. Foster Rail Technologies, Inc.

Portec Rail Products (UK) Limited was changed to L.B. Foster Rail Technologies (UK) Limited

Portec, Rail Products LTD was changed to L.B. Foster Rail Technologies Canada LTD.

As used herein, "Rail Technologies" means all of the subsidiary companies acquired from Portec Rail, including those listed above, unless the context otherwise requires.

During 2012, the Company sold the assets and liabilities of its railway securement business (Shipping Systems Division (SSD)), and its precise structural products business (Precise) and reclassified its Consolidated Financial Statements to present the results of these businesses as discontinued operations. Unless the context otherwise requires, this Annual Report on Form 10-K for the year ended December 31, 2012 relates only to the Company's continuing operating activities.

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 and railway wayside data collection and management systems.

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, 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.

Information concerning the Company's liquidity and capital resources and the Company's working capital requirements can be found in Part II, 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 (JV), with L B Industries, Inc (LB Industries) and James Legg. The Company and LB Industries each have a 45% ownership interest in the JV. This JV manufactures, markets and sells various precision couplings and other products for the energy, utility and construction markets. More information concerning the JV is set forth in Part II, Item 8, Note 9 to the Consolidated 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		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Rail Products	63%	55%	45%
Construction Products	29	40	49
Tubular Products	8	5	6
	<u>100%</u>	<u>100%</u>	<u>100%</u>

RAIL PRODUCTS

L.B. Foster Company's Rail Products segment is comprised 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. Our Rail Products segment 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 segment is composed of the following business units: rail manufacturing and distribution, rail technology and concrete products.

The rail manufacturing and distribution business sells heavy and light new and used (relay) rail mainly to transit authorities, industrial companies, and rail contractors for railroad sidings, plant trackage, and other carrier and material handling applications. Rail accessories include trackwork, 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 by the Company or purchased from other manufacturers. The Company produces rail anchors and track spikes at its manufacturing plant in St. Jean, Quebec, primarily for the Canadian railroads with some export sales. Through its United Kingdom subsidiary the Company also designs and manufactures a complete line of rail joints including the epoxy (glue) insulated rail joints, nylon-encapsulated insulated joints, and also distributes a complete line of track fasteners to the United Kingdom railways and to international customers.

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 also has two facilities that design, test and fabricate rail products in Atlanta, GA and Niles, OH.

The rail technology business engineers, manufactures and assembles friction management products, railway wayside data collection and management systems and related products. It also engineers and manufactures stick friction modifiers and related application systems. The Company's friction management division provides products and services that control the friction at the rail/wheel interface, helping to lower fuel usage and improve train-operating efficiency, extend the life of operating assets such as rail and wheels, reduce track stresses and lower related maintenance and operating costs for customers. Friction management products include mobile and wayside application systems that distribute lubricants and solid and liquid friction modifiers. Friction management products also include a variety of field service and support capabilities including remote performance monitoring for wayside and mobile units. Friction management products are designed, engineered, manufactured and assembled in the United States and by certain wholly-owned subsidiaries located in Montreal, Quebec, and Burnaby, British Columbia, Canada and in Sheffield, United Kingdom.

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

CONSTRUCTION PRODUCTS

The Construction products segment is composed of the following business units: piling, fabricated 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 is often used in water and land applications including cellular coffer dams and open cell structures in inner river systems and ports.

Piling products are sourced from various manufacturers and either sold or rented to project owners and contractors. The piling division, via a sales force deployed throughout the United States, markets and sells piling domestically and internationally. This division offers its customers various types and dimensions of structural beam piling, sheet piling, and pipe piling. The Company is the primary distributor of domestic steel 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.

The CXT 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 is a leading high-end supplier in terms of volume, product options and capabilities. The buildings are manufactured in Spokane, WA and Hillsboro, TX.

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

The coated pipe unit, located in Birmingham, AL, coats the outside diameter and, to a lesser extent, the inside diameter of pipe primarily for oil & gas transmission pipelines. The coated pipe division 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 diameters 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.

JOINT VENTURE

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

The JV commenced operations in 2010 and manufactures, markets and sells precision couplings and 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 approximately 70 people. The Company also 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 19 warehouses, plant and yard facilities located throughout United States, Canada and the United Kingdom. For the years ended 2012, 2011 and 2010, approximately 18%, 16% and 5%, 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, however. Therefore, the Company faces significant competition from different groups of companies.

During 2012 and 2010 no single customer accounted for more than 10% of the Company's consolidated net sales. In 2011, one customer accounted for approximately 10% of consolidated net sales. Sales to this customer were recorded in the Rail Products and Construction Products segments and were approximately \$58.7 million during 2011.

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. The Company has an agreement with a steel mill to distribute steel sheet piling in North America. The Company also purchases cement and aggregate used in its concrete railroad tie and precast concrete building businesses from various 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 for 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, 2012 and 2011 by business segment is as follows:

	December 31,	
	2012	2011
	In thousands	
Rail Products	\$ 140,592	\$ 66,434
Construction Products	59,239	63,121
Tubular Products	11,087	10,784
Total from Continuing Operating Activities	<u>\$ 210,918</u>	<u>\$ 140,339</u>

Approximately 3% of the December 31, 2012 backlog is related to projects that will extend beyond 2013.

RESEARCH AND DEVELOPMENT

Expenditures for research and development totaled \$2.9 million, \$1.9 million and \$0.3 million in 2012, 2011 and 2010, respectively. These 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 rail technologies products, such as the Protector® IV application system, along with a significant number of patents related to its friction modifier product lines at L.B. Foster Rail Technologies, Corp., 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 predict the outcome of actions regarding environmental matters, particularly for future remediation and other compliance efforts. The Company has recorded its estimate of the outcome of certain environmental matters. 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.

See Item 3, Legal Proceedings included herein, for information regarding the Company's environmental reserves which is incorporated by reference into this Item I.

EMPLOYEES AND EMPLOYEE RELATIONS

As of December 2012, the Company had approximately 820 employees, 120 of whom were located in Canada, 60 of whom were located in the United Kingdom, with the remaining employees located in the United States. There were approximately 400 hourly production workers and 420 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 Part II, Item 8, Note 2 to the Consolidated Financial Statements included herein, which is incorporated by reference into this Item 1.

FINANCIAL INFORMATION ABOUT SEGMENTS

Financial information concerning information about segments is set forth in Part II, Item 8, Note 2 to the Consolidated 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 at the SEC's Public Reference Room at 100 F Street N.E. Washington, D.C. 20549 or by calling 1-800-SEC-0330. These filings are also available on the internet at www.sec.gov. The Company's press releases and recent investor presentations are also available on its website.

ITEM 1A. RISK FACTORS

Risks and Uncertainties

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

We 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 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 highly competitive industries.

We face strong competition in each of the markets in which we participate. A slow response to competitor pricing actions and new competitor entries into our product lines could negatively impact our overall pricing. 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.

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, the United Kingdom and other countries where product sales are possible. However, the Company has not perfected patent and trademark protection of our proprietary intellectual property for all products in all countries. The decision not 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 a greater supply of similar products in such markets, which in turn could result in a loss of pricing power and reduced revenue for the Company.

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.

The Company's CXT concrete rail products division and ARP division are dependent on the Union Pacific Railroad (UPRR) for a significant portion of their business.

An adverse outcome in any pending or future litigation or pending or future warranty claim against the Company or its subsidiaries or our determination that a customer has a substantial product warranty claim could negatively impact our financial results and/or our financial condition.

The Company is party from time to time to various legal proceedings. In addition, from time to time our customers assert claims against us relating to the warranties which apply to products we sell. There is the potential that a result materially adverse to us or our subsidiaries in pending or future legal proceedings or pending or future product warranty claims could materially exceed any accruals we have established and adversely affect our financial results and/or financial condition. With respect to product warranty claims, no assurances can be given that our current estimate of the number of defective concrete ties that need to be replaced will not increase and result in our having to take additional charges, which could have a material adverse affect on our financial statements, results of operations, liquidity and capital resources.

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

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 exposes 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.

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 or more 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 the 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. 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 make future capital commitments that may be burdensome or have a material adverse effect on our operations and profitability.

Our joint venture manufactures, markets and sells various precision couplings and other products for the energy, utility and construction markets. Under the JV agreement, we were required to make certain capital contributions. No assurances can be given that additional capital contributions will not be required or that the JV 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. The approximately 190 employees employed at these facilities are currently working under three separate collective bargaining agreements.

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

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

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 things. 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. The potential impact, both positive and negative, of future climate change legislation, regulation and international treaties and accords is 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 our facilities, natural disasters, armed conflicts, 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.

Shifting federal, state, local and foreign regulatory policies impose risks to our operations.

We are subject to regulation from federal, state, local and foreign regulatory agencies. We are required to comply with numerous laws and regulations and to obtain numerous authorizations, permits, approvals and certificates from governmental agencies. Compliance with emerging regulatory initiatives, delays, discontinuations or reversals of existing regulatory policies in the markets in which we operate could have an adverse effect on our business, results of operations, cash flows and financial condition.

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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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 such properties, are set forth in the following table:

<u>Location</u>	<u>Function</u>	<u>Acres</u>	<u>Business Segment</u>	<u>Lease Expiration</u>
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
Hillsboro, TX	Precast concrete facility.	9	Construction	Owned
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	2017

Included in the table above are certain facilities leased by the Company for which there is no acreage included in the lease. For these properties a "N/A" has been included in the "Acres" column.

Including the properties listed above, the Company has a total of 15 sales offices, including its headquarters in Pittsburgh, PA and 19 warehouses, plant and yard facilities located throughout the United States, Canada and United Kingdom. The Company's facilities are in good condition.

ITEM 3. LEGAL PROCEEDINGS

The Company is not subject to any material environmental or legal proceedings. As of December 31, 2012 and 2011, the Company maintained environmental and litigation reserves approximating \$2.1 million and \$2.2 million, respectively. Additional information regarding the Company's other commitments and contingencies is set forth in Part II, Item 8, Note 21 to the Consolidated Financial Statements included herein, which is incorporated by reference into this Item 3.

ITEM 4. MINE SAFETY DISCLOSURES

This item is not applicable to the Company.

EXECUTIVE OFFICERS OF THE REGISTRANT

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

<u>Name</u>	<u>Age</u>	<u>Position</u>
Robert P. Bauer	54	President and Chief Executive Officer
Merry L. Brumbaugh	55	Vice President — Tubular Products
Joseph S. Cancilla	47	Vice President, General Counsel and Secretary
Samuel K. Fisher	60	Vice President — Rail Distribution
Donald L. Foster	57	Senior Vice President — Construction Products
Kevin R. Haugh	56	Vice President — Concrete Products
John F. Kasel	47	Senior Vice President — Rail Products
Brian H. Kelly	53	Vice President — Human Resources and Administration
Gregory W. Lippard	44	Vice President — Rail Sales and Products
Konstantinos Papazoglou	60	Vice President — Rail Technologies
David J. Russo	54	Senior Vice President, Chief Financial Officer and Treasurer
David R. Sauder	42	Vice President — Global Business Development
Christopher T. Scanlon	37	Controller and Chief Accounting Officer

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 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 2002 until May 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. 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. 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 Railsolve, Inc. prior to 2001.

Mr. Kasel was elected Senior Vice President — Rail Products in August 2012 having previously served as Senior Vice President — Operations and Manufacturing since May 2005 and 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 and Administration in August 2012 having previously served as Vice President, Human Resources since 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 Sales and Products in August 2012 having previously served as Vice President — Rail Product Sales since 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 — Rail Technologies in August 2012 having previously served as Vice President — Friction Management since 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.

Mr. Russo is the Senior Vice President, Chief Financial Officer and Treasurer having resigned as Chief Accounting Officer in August 2012 upon the appointment of Mr. Scanlon as Controller and Chief Accounting Officer in August 2012. Mr. Russo was previously 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. from 1999 until joining the Company in 2002. Prior to 1999, Mr. Russo also served as Corporate Controller of Life Fitness Inc.

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.

Mr. Scanlon was elected Controller and Chief Accounting Officer in August 2012 after joining the organization in July 2012. Prior to joining the Company, Mr. Scanlon served as the Online Higher Education Division Controller of Education Management Corporation from November 2009 to July 2012. Mr. Scanlon served as Manager of Central Accounting Services for Bayer Corporation, from May 2007 until November 2009. From April 2005 until May 2007, Mr. Scanlon served as a financial reporting analyst for Respirationics, Inc.

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.

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 459 common shareholders of record on February 18, 2013. 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	2012			2011		
	High	Low	Dividends	High	Low	Dividends
First	\$ 33.66	\$ 27.49	\$ 0.025	\$ 43.15	\$ 37.76	\$ 0.025
Second	29.29	25.38	0.025	43.58	30.22	0.025
Third	35.27	27.83	0.025	38.44	16.94	0.025
Fourth	43.45	32.34	0.025	30.18	21.02	0.025

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 the aggregate over the life of the facility. The \$75.0 million aggregate limitation also includes certain loans, strategic investments, and acquisitions.

In February 2013, the Company's Board of Directors authorized an increase to the regular quarterly dividend to \$0.03 beginning in 2013.

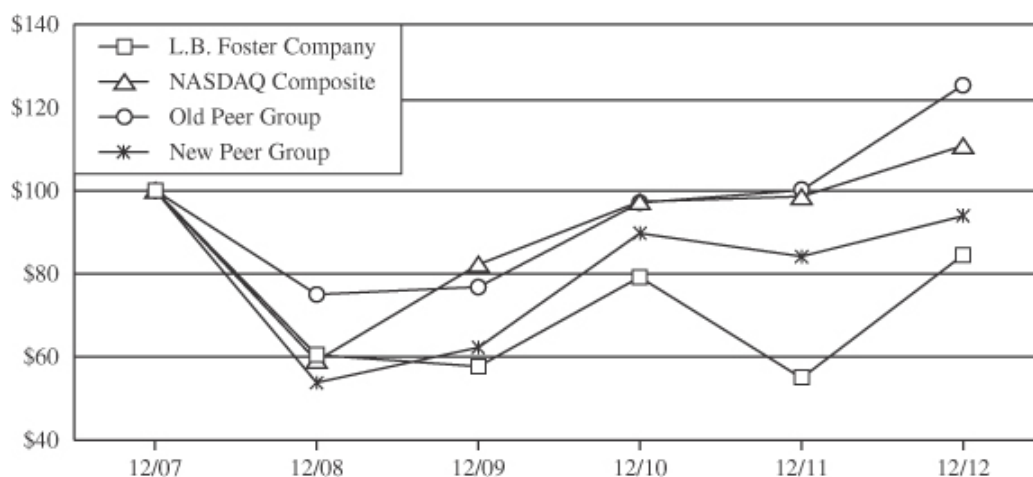
Performance Graph

Prior to 2012, the Company's old peer group (Old Peer Group) consisted of Michael Baker Corp., AM Castle & Co., Greenbrier Cos., Inc., Northwest Pipe Co., Texas Industries Inc. and Westinghouse Air Brake Technologies Corporation (Wabtec Corporation). The Company's Old Peer Group was established by selecting similar companies in the rail, construction and steel industries. In 2012, the Company changed its peer group to align it with the Company's comparator group as used by the Company's compensation committee to evaluate the Company's compensation practices.

The Company's new peer group (New Peer Group) is composed of Greenbrier Cos., Inc., AM Castle & Co., CIRCOR International, Inc., DXP Enterprises, Inc., Olympic Steel Inc., Alamo Group, Inc., Haynes International Inc., American Railcar Industries, Inc., Sterling Construction Co. Inc., Lawson Products Inc., RBC Bearings Inc., NN Inc., Houston Wire & Cable Company, Insteel Industries Inc., Skyline Corp. and Synalloy Corp.

The following tables compare total shareholder returns for the Company over the last five years to the NASDAQ Composite Index and the Company's Old and New Peer Groups assuming a \$100 investment made on December 31, 2007. Each of the four 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.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN* Among L.B. Foster Company, the NASDAQ Composite Index, Old Peer Group, and New Peer Group



* \$100 invested on 12/31/07 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

	Cumulative Total Return					
	12/07	12/08	12/09	12/10	12/11	12/12
L.B. Foster Company	\$ 100.00	\$ 60.47	\$ 57.63	\$ 79.14	\$ 54.87	\$ 84.52
NASDAQ Composite	100.00	59.03	82.25	97.32	98.63	110.78
Old Peer Group	100.00	75.02	76.90	97.12	100.10	125.40
New Peer Group	100.00	53.77	62.31	89.78	84.18	93.97

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of December 31, 2012 with respect to compensation plans under which equity securities of the Company are authorized for issuance.

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities to be issued upon exercise of outstanding options, warrants or rights)</u>
Equity compensation plans approved by shareholders	22,500	\$ 10.41	561,655
Equity compensation plans not approved by shareholders	—	—	—
Total	22,500	\$ 10.41	561,655

Under the 2006 Omnibus Incentive Plan, non-employee directors are automatically awarded up to 3,500 shares of the Company's common stock as determined by the Board of Directors at each annual shareholder meeting at which such non-employee director is elected or re-elected, commencing May 24, 2006. Through December 31, 2012, there were 90,500 fully vested shares issued under the 2006 Omnibus Incentive Plan to non-employee directors. Additionally, pursuant to the 2006 Omnibus Incentive Plan, during 2012 and 2011, the Company issued to its officers approximately 34,000 and 20,000, respectfully, fully-vested shares in lieu of a cash payment earned under separate three year incentive plans.

The Company will repurchase shares of restricted stock when issued to pay for withholding taxes. During 2012, 2011 and 2010, the Company repurchased 23,562, 5,813 and 493 shares, respectively, for this purpose. These shares were repurchased for approximately \$0.6 million, \$0.2 million and less than \$0.1 million in 2012, 2011 and 2010, respectively.

Issuer Purchases of Equity Securities

The Company's purchases of equity securities for the three-month period ended December 31, 2012 were as follows:

	<u>Total Number of Shares Purchased(1)</u>	<u>Average Price Paid per Share</u>	<u>Total Number of shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs</u>
October 1, 2012 — October 31, 2012	—	\$ —	—	\$ 18,520,000
November 1, 2012 — November 30, 2012	—	—	—	18,520,000
December 1, 2012 — December 31, 2012	—	—	—	18,520,000
Total	—	\$ —	—	\$ 18,520,000

(1) 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, under this authorization, during 2012.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data has been reclassified for comparative purposes to conform to the presentation of discontinued operations in the current year period. In 2012, the Company sold substantially all of the assets and liabilities of its railway securement business, SSD, and its precise structural products business, Precise.

Income Statement Data	Year Ended December 31,				
	2012(1)	2011(2)	2010(3)	2009(4)	2008(5)
	All amounts are in thousands, except per share data				
Net sales	\$ 588,541	\$ 575,337	\$ 467,058	\$ 392,071	\$ 527,873
Operating profit	\$ 22,657	\$ 30,812	\$ 31,217	\$ 22,853	\$ 37,698
Income from continuing operations, net of tax	\$ 14,764	\$ 22,067	\$ 20,006	\$ 14,799	\$ 26,752
Income from discontinued operations, net of tax	1,424	828	486	928	994
Net income	\$ 16,188	\$ 22,895	\$ 20,492	\$ 15,727	\$ 27,746
Basic earnings per common share:					
Continuing operations	\$ 1.46	\$ 2.16	\$ 1.96	\$ 1.46	\$ 2.51
Discontinued operations	0.14	0.08	0.05	0.09	0.09
Basic earnings per common share	\$ 1.60	\$ 2.24	\$ 2.01	\$ 1.55	\$ 2.60
Diluted earnings per common share:					
Continuing operations	\$ 1.44	\$ 2.14	\$ 1.93	\$ 1.44	\$ 2.47
Discontinued operations	0.14	0.08	0.05	0.09	0.09
Diluted earnings per common share	\$ 1.58	\$ 2.22	\$ 1.98	\$ 1.53	\$ 2.57
Dividends Paid Per Common Share	\$ 0.10	\$ 0.10	\$ —	\$ —	\$ —

Operating profit represents the gross profit less selling and administrative expenses and amortization expense.

- (1) 2012 includes a pre-tax gain of \$3,193 from the dispositions of SSD and Precise in income from discontinued operations, net of tax. More information about the dispositions of SSD and Precise can be found in Part II, Item 8, Note 4 to the consolidated financial statements included herein, which is incorporated by reference into this Part II, Item 6.
- (2) 2011 includes a pre-tax gain of \$577 associated with the early termination of the operating lease associated with the Company's sale-leaseback transaction for our threaded products facility, formerly located in Houston, TX.
- (3) 2010 includes the results of Rail Technologies, which was acquired on December 15, 2010. More information about the results of Rail Technologies included in 2010 can be found in Part II, Item 8, Note 3 to the consolidated financial statements included herein.
- (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 Company's sale-leaseback transaction.

Balance Sheet Data	December 31,				
	2012	2011	2010	2009	2008
	In thousands				
Total assets	\$ 406,122	\$ 379,894	\$ 378,402	\$ 331,594	\$ 332,120
Working capital	184,423	155,261	142,303	210,332	202,264
Long-term debt	27	51	2,399	13,197	21,734
Stockholders' equity	287,575	269,815	255,747	232,592	217,562

Executive Level Overview

As more fully described below, in 2012 we worked with the Union Pacific Railroad (UPRR) to reach an agreement on a process to identify, prioritize and replace concrete railroad ties manufactured at our former Grand Island, NE facility which was closed in February 2011. As a result, in 2012 we:

- Recorded pre-tax warranty charges of \$22.0 million related to our estimate of the cost to replace defective concrete ties
- Paid \$12.0 million in cash to the UPRR as compensation for ties replaced by the UPRR during the investigation period
- Executed a multi-year contract extension for the supply of concrete ties to the UPRR from our Tucson, AZ facility

During 2012, we changed the names of several of the subsidiary companies acquired from Portec Rail Products, Inc. (Portec Rail) to L.B. Foster Rail Technologies. This change was made to more accurately brand the innovative unit and better represent its rail product development capabilities. The naming structure brings added recognition to the new Rail Technologies business.

Finally in 2012, we sold the following businesses:

- SSD for \$8.6 million resulting in a pre-tax gain of \$3.5 million
- Precise for \$2.6 million resulting in a pre-tax loss of \$0.3 million

2012 Developments

In addition to the reported financial results for 2012, we took additional steps to strengthen our future position in the markets we serve.

- Our operational excellence and continuous sustainable improvement programs are a cornerstone of our success. This year we reached a total of 173 employees that are CSI certified, and 15 employees that are now six-sigma certified.
- We opened a new facility in Magnolia, TX to support our Threaded products business. The new facility is dramatically more efficient than the former facility and was immediately producing high quality products.
- The Company set another record for safety performance reducing the number of recordable incidents in our factories over last year.
- We reorganized our rail business under the leadership of John Kasel, Sr. VP Rail Business. Combining the strengths of our businesses will lead to an organization that's focused on innovation and can better serve the customer. We are creating a unified strategy to serve the rail industry that will leverage our brand strengths and engineering capability.
- International sales have reached 18% of total sales as we expand in markets that can bring growth opportunities and new customers.
- Our success in the transit market was buoyed by winning the approximately \$60 million order to supply rail products for the Honolulu, HI Transit System. This major win was supported by our ability to add value through a solutions approach where L.B. Foster Company will act as a single source for much of the track infrastructure.

Union Pacific Railroad Product Warranty Claim

On July 12, 2011, the UPRR notified (UPRR Notice) 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 to the

UPRR. The UPRR asserted that a significant percentage of concrete ties manufactured in 2006 through 2011 at CXT's Grand Island, NE facility failed to meet contract specifications, had workmanship defects and were cracking and failing prematurely. Approximately 1.6 million ties were sold from Grand Island, NE to the UPRR during the period the UPRR had claimed nonconformance. The 2005 contract called for each concrete tie which failed to conform to the specifications or had a material defect in workmanship to be replaced with 1.5 new concrete ties, provided, that UPRR within five years of the sale of a concrete tie, notified CXT of such failure to conform or such defect in workmanship. The UPRR Notice did not specify how many ties manufactured during this period were defective nor the exact nature of the alleged workmanship defect. Additionally, UPRR notified us that a customer of the UPRR asserted that a representative sample of ties manufactured by our Grand Island, NE facility failed a test contained in the contract specification. At the customer's request, UPRR removed approximately 115,000 concrete ties, which were a subset of the ties subject to the UPRR Notice.

Beginning in July 2011 through the second quarter of 2012, we worked with material scientists and prestressed concrete experts to test a representative sample of Grand Island, NE concrete ties and assess warranty claims for certain concrete ties made in the Grand Island, NE facility between 1998 and 2011. We discontinued manufacturing operations in Grand Island, NE in early 2011.

During 2012, we completed sufficient testing and analysis to further understand this matter. Additionally, in a combined effort with UPRR, we analyzed Grand Island, NE concrete ties in track. Based upon these findings, we believed we discovered conditions, which largely related to the 2006 to 2007 manufacturing period, that can shorten the life of the concrete ties produced during this period. We also agreed on a process with the UPRR for identifying, prioritizing and replacing ties that meet the criteria for replacement. This process will be applied to the ties we shipped to the UPRR from our Grand Island, NE facility from 1998 to 2011. During most of this period our warranty policy for UPRR carried a 5 year warranty with a 1.5:1 replacement ratio for any defective ties. In order to accommodate the UPRR and other customer concerns, we reverted to a previously used warranty policy. This will result in all concrete ties with a 5 year warranty and a 1.5:1 replacement ratio, now having a 15 year warranty and a 1:1 replacement ratio. This change will provide an additional 10 years of warranty protection. The 1:1 replacement ratio will furnish one tie for each tie replaced under our claims process. During the fourth quarter of 2012, we reached agreement with the UPRR resulting in our and the UPRR working together to identify and replace defective ties. The process of planning and documenting will be done by both us and the UPRR to ensure this is done in a timely manner. In connection with this agreement, we and the UPRR agreed on a cash payment of \$12.0 million to the UPRR as compensation for concrete ties replaced by the UPRR during the investigation period.

During 2012, as a result of testing we conducted on concrete ties manufactured at our former Grand Island, NE facility and of the related developments of the UPRR and other customer matters, we recorded pre-tax warranty charges of approximately \$22.0 million in "Cost of Goods Sold" within our Rail Products segment based on our estimate of the number of defective concrete ties that will ultimately require replacement during the applicable warranty periods.

Dispositions

On June 4, 2012, we sold the assets and liabilities of our railway securement business, SSD, to Holland, L.P. for \$8.6 million resulting in a pre-tax gain of \$3.5 million. On August 30, 2012, we sold substantially all of the assets and liabilities of our structural products business, Precise, to Cianbro Fabrication and Coating Corporation for \$2.6 million resulting in a pre-tax loss of \$0.3 million. We reclassified the results of the operations of these businesses as discontinued and reclassified all prior periods. We do not expect future expenses of the discontinued operations to be material. Additional information regarding our discontinued operations can be found in Part II, Item 8, Note 4 to the Consolidated Financial Statements.

Critical Accounting Policies and Estimates

The Company's significant accounting policies are described in Part II, Item 8, 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 or 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 operating activities. 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, 2012.

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 applicable guidance requires 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 accounting estimate related to asset impairment 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, 2012.

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 product warranty accrual 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 underlying assumptions used to calculate the product warranty accrual can change from period to period and are dependent upon estimates of the amount and cost of future product repairs or replacements. At December 31, 2012 and 2011, the product warranty was \$15.7 million and \$6.6 million, respectively. During the years ended December 31, 2012, 2011 and 2010, the Company recorded product warranty expense of \$24.3 million, \$4.4 million and \$2.1 million, respectively. For additional information regarding the Company's product warranty, refer to Part II, Item 8, Note 21 to the Consolidated Financial Statements, "Commitments and Contingent Liabilities" included herein.

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. Revenue is recorded net of returns, allowances, customer discounts and incentives. Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net (excluded from revenues) basis. 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. At the time a loss contract becomes known, the entire amount of the estimated loss is recognized in the Consolidated Statement of Operations. Revenues recognized using percentage of completion were less than 10% of the Company's consolidated revenues for the year ended December 31, 2012.

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.

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.

The weighted average expected long-term rate of return determined by the Company for its 2012 and 2011 domestic pension expense was 6.50% and 6.70%, respectively. The weighted average expected long-term rate of return determined by the Company for its 2012 and 2011 U.K. pension expense was 4.30% and 4.70%, 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 the Company utilize 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 4.00% and 4.50%, respectively, as of December 31, 2012 and 2011 for its domestic pension plans. The weighted average assumed discount rate used by the Company was 5.20% and 5.70%, respectively, as of December 31, 2012 and 2011 for its U.K. pension plan.

Income Taxes — 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 of 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 evaluates all tax positions taken on its 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, which 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, Note 16, "Income Taxes" included herein for additional information regarding the Company's deferred tax assets. 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.

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. These regulations impose liability for the costs of investigation, remediation and damages resulting from, present and past spills, disposals, or other releases of hazardous substances or materials. Liabilities are recorded when remediation 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, 2012 and 2011, the Company maintained environmental and legal contingency reserves approximating \$2.1 million and \$2.2 million, respectively.

Refer to Part II, Item 8, Note 21 to the Consolidated Financial Statements, "Commitments and Contingent Liabilities" for additional information regarding the Company's commitments and contingent liabilities.

Quarterly Results of Continuing Operations

	Three Months Ended		Percent of Total		Percent
	December 31,		Net Sales		
	2012	2011	2012	2011	
Dollars in thousands					
Net Sales:					
Rail Products	\$ 91,329	\$ 74,117	64.9%	55.4%	23.2%
Construction Products	37,080	51,330	26.3	38.4	(27.8)
Tubular Products	12,315	8,288	8.8	6.2	48.6
Total Net Sales	<u>\$140,724</u>	<u>\$133,735</u>	100.0%	100.0%	5.2%
Dollars in thousands					
Gross Profit:					
Rail Products	\$17,217	\$16,322	18.9%	22.0%	5.5%
Construction Products	5,875	8,479	15.8	16.5	(30.7)
Tubular Products	4,054	2,706	32.9	32.6	49.8
LIFO Income/(Expense)	785	(1,043)	0.6	(0.8)	**
Other	(361)	60	(0.3)	0.0	**
Total Gross Profit	<u>\$27,570</u>	<u>\$26,524</u>	19.6%	19.8%	3.9%
Dollars in thousands					
Expenses:					
Selling and Administrative Expenses	\$16,509	\$16,910	11.7%	12.6%	(2.4)%
Amortization Expense	865	695	0.6	0.5	24.5
Interest Expense	137	179	0.1	0.1	(23.5)
Interest Income	(133)	(97)	(0.1)	(0.1)	37.1
Equity in Income of Nonconsolidated Investment	(194)	(137)	(0.1)	(0.1)	41.6
(Gain)/Loss on Foreign Exchange	(220)	248	(0.2)	0.2	**
Other Income	(211)	(363)	(0.1)	(0.3)	(41.9)
Total Expenses	<u>16,753</u>	<u>17,435</u>	11.9	13.0	(3.9)
Income from Continuing Operations Before Income Taxes	10,817	9,089	7.7	6.8	19.0
Income Tax Expense	4,174	3,272	3.0	2.4	27.6
Income from Continuing Operations	<u>\$ 6,643</u>	<u>\$ 5,817</u>	4.7%	4.3%	14.2%

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

Fourth Quarter 2012 Compared to Fourth Quarter 2011 — Company Analysis

Income from continuing operations for the 2012 fourth quarter was \$6.6 million, or \$0.65 per diluted share, compared to income from continuing operating activities of \$5.8 million, or \$0.57 per diluted share, in the prior year quarter.

Included in our 2011 fourth quarter results were warranty charges related to concrete ties manufactured at our Grand Island, NE facility of \$1.8 million. Also included in our 2011 fourth quarter results was the impact of sales of lower cost inventory that resulted in higher margins of approximately \$2.5 million. We account for a portion of our inventory under the last-in, first-out (LIFO) method. The LIFO reserve requirements can be impacted by falling or rising prices. The impact to gross profit resulting from this LIFO adjustment was a positive \$0.8 million in 2012 compared to a negative \$1.0 million in the prior year quarter.

Selling and administrative expense decreased approximately \$0.4 million in the 2012 fourth quarter primarily due to reduced concrete tie testing expenses associated with the UPRR product warranty claim. This reduction was partially offset by increased employee salary and benefit expenses. Approximately \$0.2 million in derivative hedging settlement gains were recognized during the 2012 quarter. Other income in 2011 included amounts recognized from the deferred gain related to the early termination of the 2008 operating lease associated with our former Houston, TX threading facility.

The effective income tax rate from continuing operations in the fourth quarter of 2012 was 38.6% compared to 36.0% in the prior year quarter. The rate increase compared to the prior year quarter was due to the mix of earnings attributable to higher rate jurisdictions in 2012 and certain discrete items recorded in 2012.

Results of Continuing Operations — Segment Analysis

Rail Products

	Three Months Ended December 31,		Increase/ (Decrease)	Percent Increase/ (Decrease)
	2012	2011	2012 vs. 2011	2012 vs. 2011
	Dollars in thousands			
Net Sales	<u>\$91,329</u>	<u>\$74,117</u>	<u>\$ 17,212</u>	<u>23.2%</u>
Gross Profit	<u>\$17,217</u>	<u>\$16,322</u>	<u>\$ 895</u>	<u>5.5%</u>
Gross Profit Percentage	<u>18.9%</u>	<u>22.0%</u>	<u>(3.2)%</u>	<u>(14.4)%</u>

Fourth Quarter 2012 Compared to Fourth Quarter 2011

The sales improvement was due principally to increases in our rail distribution and transit products divisions. Higher volumes, in part from the Honolulu, HI elevated transit system project, drove the sales improvement in these businesses. Partially offsetting these increases were reductions reported by our Canadian and United Kingdom track components businesses. Our Canadian track components business was impacted by reduced capital spending by the Canadian Class 1 railroads.

Gross profit margin declined principally due to sales of lower cost inventory in the fourth quarter of 2011 that resulted in a higher margin as well as a less favorable product mix in 2012. These items benefitting the prior year quarter were partially offset by a 2011 incremental warranty charge of approximately \$1.8 million related to the Grand Island, NE concrete tie matters.

Construction Products

	Three Months Ended December 31,		Decrease	Percent Decrease
	2012	2011	2012 vs. 2011	2012 vs. 2011
	Dollars in thousands			
Net Sales	<u>\$ 37,080</u>	<u>\$ 51,330</u>	<u>\$ (14,250)</u>	<u>(27.8)%</u>
Gross Profit	<u>\$ 5,875</u>	<u>\$ 8,479</u>	<u>\$ (2,604)</u>	<u>(30.7)%</u>
Gross Profit Percentage	<u>15.8%</u>	<u>16.5%</u>	<u>(0.7)%</u>	<u>(4.1)%</u>

Fourth Quarter 2012 Compared to Fourth Quarter 2011

With the exception of our CXT concrete buildings division, which was flat quarter-over-quarter, volume-based 2012 sales declines were reported by all of our Construction Products divisions in the 2012 fourth quarter. As it has throughout 2012, our piling division experienced the most significant declines in the 2012 fourth quarter. To a lesser extent, our fabricated products division also reported volume-based sales declines. Both of these divisions dealt with unfavorable market conditions and reduced backlog in the 2012 quarter.

Volume-related gross profit reductions from our piling division was the predominate reason for the decline in both gross profit and gross margin in the 2012 quarter.

Tubular Products

	Three Months Ended		Increase	Percent Increase
	December 31,			
	2012	2011	2012 vs. 2011	2012 vs. 2011
	Dollars in thousands			
Net Sales	<u>\$12,315</u>	<u>\$8,288</u>	<u>\$ 4,027</u>	<u>48.6%</u>
Gross Profit	<u>\$ 4,054</u>	<u>\$2,706</u>	<u>\$ 1,348</u>	<u>49.8%</u>
Gross Profit Percentage	<u>32.9%</u>	<u>32.6%</u>	<u>0.3%</u>	<u>0.8%</u>

Fourth Quarter 2012 Compared to Fourth Quarter 2011

The fourth quarter sales increase for our Tubular Products segment was primarily due to sales volume improvements at our Birmingham, AL coating facility due to continued drilling and development in the oil and natural gas industry sector.

Year-to-date Results of Continuing Operations

	Twelve Months Ended December 31,			Percent of Total Net Sales Twelve Months Ended December 31,			Percent Increase/(Decrease)	
	2012	2011	2010	2012	2011	2010	2012 vs. 2011	2011 vs. 2010
	Dollars in thousands							
Net Sales:								
Rail Products	\$370,322	\$315,133	\$211,974	62.9%	54.8%	45.4%	17.5%	48.7%
Construction Products	169,253	227,734	227,865	28.8	39.6	48.8	(25.7)	(0.1)
Tubular Products	48,966	32,470	27,219	8.3	5.6	5.8	50.8	19.3
Total Net Sales	\$588,541	\$575,337	\$467,058	100.0%	100.0%	100.0%	2.3%	23.2%

	Twelve Months Ended December 31,			Gross Profit Percentage Twelve Months Ended December 31,			Percent Increase/(Decrease)	
	2012	2011	2010	2012	2011	2010	2012 vs. 2011	2011 vs. 2010
	Dollars in thousands							
Gross Profit:								
Rail Products	\$ 52,533	\$ 57,613	\$ 27,274	14.2%	18.3%	12.9%	(8.8)%	111.2%
Construction Products	25,080	35,372	38,737	14.8	15.5	17.0	(29.1)	(8.7)
Tubular Products	15,189	8,850	5,782	31.0	27.3	21.2	71.6	53.1
LIFO Income/(Expense)	1,118	(2,183)	2,276	0.2	(0.4)	0.5	**	**
Other	(1,651)	(1,242)	(1,208)	(0.3)	(0.2)	(0.3)	32.9	2.8
Total Gross Profit	\$ 92,269	\$ 98,410	\$ 72,861	15.7%	17.1%	15.6%	(6.2)%	35.1%

	Twelve Months Ended December 31,			Percent of Total Net Sales Twelve Months Ended December 31,			Percent Increase/ (Decrease)	
	2012	2011	2010	2012	2011	2010	2012 vs. 2011	2011 vs. 2010
	Dollars in thousands							
Expenses:								
Selling and Administrative Expenses	\$ 66,651	\$ 64,807	\$ 41,201	11.3%	11.3%	8.8%	2.8%	57.3%
Amortization Expense	2,961	2,791	443	0.5	0.5	0.1	6.1	**
Interest Expense	542	622	1,003	0.1	0.1	0.2	(12.9)	(38.0)
Interest Income	(452)	(321)	(403)	(0.1)	(0.1)	(0.1)	40.8	(20.3)
Equity in (Income)/Loss of Nonconsolidated Investment	(837)	(707)	213	(0.1)	(0.1)	0.0	18.4	**
Loss/(Gain) on Foreign Exchange	238	(237)	83	0.0	(0.0)	0.0	**	**
Gain on marketable securities	—	—	(1,364)	—	—	(0.3)	**	**
Other Income	(664)	(1,197)	(279)	(0.1)	(0.2)	(0.1)	(44.5)	**
Total Expenses	68,439	65,758	40,897	11.6	11.4	8.8	4.1	60.8
Income from Continuing Operations								
Before Income Taxes	23,830	32,652	31,964	4.0	5.7	6.8	(27.0)	2.2
Income Tax Expense	9,066	10,585	11,958	1.5	1.8	2.6	(14.4)	(11.5)
Income from Continuing Operations	\$ 14,764	\$ 22,067	\$ 20,006	2.5%	3.8%	4.3%	(33.1)%	10.3%

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

The Year 2012 Compared to the Year 2011 — Company Analysis

Income from continuing operating activities for 2012 was \$14.8 million, or \$1.44 per diluted share, which compares to income from continuing operating activities for 2011 of \$22.1 million, or \$2.14 per diluted share. Included in our 2012 and 2011 results were charges related to concrete ties manufactured at our Grand Island, NE facility of \$22.0 million and \$7.0 million, respectively. Included within gross profit in the 2011 period was a nonrecurring increase in cost of goods sold of approximately \$2.3 million related to the recognition of the inventory step-up to fair value from our 2010 acquisition of Rail Technologies.

Approximately \$0.7 million of the total \$1.8 million of increased selling and administrative expenses in 2012 was for concrete tie testing expenses associated with the UPRR product warranty claim. The remainder of the increase over 2011 was due primarily to employee salaries (\$0.6 million). Foreign currency fluctuations in the exchange rate for the U.S. Dollar resulted in our recognizing foreign exchange losses during 2012 compared to foreign exchange gains in 2011. We recognized decreased gains of approximately \$0.3 million within “Other Income” in 2012 related to the early termination of the operating lease associated with our former Houston, TX threading facility due to our move to Magnolia, TX.

The effective income tax rate from continuing operating activities for 2012 was 38.0% compared to 32.4% in the prior year. The rate increase was primarily due to the mix of earnings attributable to higher rate jurisdictions in 2012, certain discrete items recorded in 2012 and the receipt of state tax refunds in the prior year.

The Year 2011 Compared to the Year 2010 — Company Analysis

Diluted earnings per share from continuing operating activities for 2011 were \$2.14, which compares favorably to diluted earnings per share from continuing operating activities for 2010 of \$1.93. Gross Profit increased due to the inclusion of Rail Technologies results for the full year in 2011, partially offset by significantly reduced gross profits at our concrete buildings division due to declines in sales volumes relative to 2010 and by the impact of concrete tie warranty charges recorded in 2011 associated with our former Grand Island, NE concrete tie manufacturing facility.

Approximately \$21.3 million of the increase in selling and administrative expenses relates to the inclusion of the annual results of Rail Technologies in 2011. Exclusive of the impact of Rail Technologies, selling and administrative expenses in the 2011 period increased approximately \$2.9 million due primarily to higher outside services expenses (\$2.0 million) and higher salaries (\$1.0 million). We recognized approximately \$1.4 million for testing expenses associated with the UPRR product warranty claim, \$1.5 million in Rail Technologies integration costs and \$0.5 million associated with other outside service providers in 2011. These increased expenses offset the elimination of the approximately \$2.4 million in acquisition costs we recognized during 2010.

The acquisition of Rail Technologies led to the increase in amortization expense and our recognition of transactional foreign exchange gains.

Included in income from continuing operating activities for 2011 is our 45% share of the income from our equity investment in the JV, which is reported as “Equity in (Income)/Loss of Nonconsolidated Investment.” As the JV had not yet commenced significant revenue-generating activities in 2010, we recorded our share of its start-up related expenses in 2010 without any significant offsetting earnings.

Within “Other Income” was the increased amount we recognized during 2011 from the deferred gain related to a revision in the remaining term of the operating lease associated with our Houston, TX sale-leaseback transaction mitigated the reduction in pre-tax gains we recognized in connection with our acquisition of Rail Technologies.

The effective income tax rate for 2011 was 32.4% compared to 37.4% in 2010. The decrease was primarily due to lower statutory tax rates related to the foreign operations acquired in the Rail Technologies business combination, the release of \$0.1 million of reserves for uncertain tax positions due to the expiration of the related statute of limitations and the receipt of \$0.9 million in certain state income tax refunds.

Results of Continuing Operations — Segment Analysis

Rail Products

	Twelve Months Ended December 31,			Increase/(Decrease)		Percent Increase/(Decrease)	
	2012	2011	2010	2012 vs. 2011	2011 vs. 2010	2012 vs. 2011	2011 vs. 2010
	Dollars in thousands						
Net Sales	\$370,322	\$315,133	\$211,974	\$ 55,189	\$ 103,159	17.5%	48.7%
Gross Profit	\$ 52,533	\$ 57,613	\$ 27,274	\$ (5,080)	\$ 30,339	(8.8)%	111.2%
Gross Profit Percentage	14.2%	18.3%	12.9%	(4.1)%	5.4%	(22.4)%	42.1%

The Year 2012 Compared to the Year 2011

The growth leaders in our Rail Products segment were our rail distribution, CXT concrete tie and transit products divisions, while our Canadian and U.K. track components businesses reported decreased year over year sales. The growth in our rail distribution business was principally due to increased volumes and also due to a shift in product mix toward higher priced premium rail. Our concrete tie division delivered volume growth, surpassing sales levels even from 2010 when we operated three plants.

Warranty charges in the 2012 period totaling \$22.0 million and closure-related and warranty charges totaling \$7.0 million in the 2011 period related to our Grand Island, NE concrete tie facility adversely impacted our Rail Products segment gross profit. In addition, 2011 gross profit was unfavorably impacted by a nonrecurring increase in cost of goods sold of approximately \$2.3 million related to recognition of the remaining portion of the inventory step-up to fair value from our allocation of the Rail Technologies' purchase price. Without these charges, our gross profit margins would have been 20.1% and 21.2% for 2012 and 2011, respectively.

We believe this illustrates that the underlying operations of our Rail Products segment are strong. The Class 1 Railroads have indicated that they expect their capital spending programs to increase 2% to 3% in 2013. We believe that with no economic downturn or significant change in governmental fiscal policy, the Class 1 Railroad spending guidance, reasonable carload and intermodal rail traffic and robust railroad financial results bode well for continued strong results into 2013 for our Rail Products segment.

The Year 2011 Compared to the Year 2010

Our acquisition of Rail Technologies increased our Rail Products segment 2011 sales by approximately \$93.2 million. Exclusive of the impact of Rail Technologies, our Rail Products segment 2011 sales increased approximately \$9.9 million over the 2010 period. Improved sales volumes within our rail distribution business led the segment's sales growth. While both of our operational concrete tie plants had volume increases yielding sales growth of at least 40.0%, they could not overcome the loss of sales due to the closure of our Grand Island, NE facility. This negative impact on segment sales partially mitigated the favorable growth from our rail distribution business.

Rail Technologies was responsible for the increase in our Rail Products segment's gross profit margin. Exclusive of the impact of Rail Technologies, our Rail Products gross profit margin would have decreased to 11.2% from 12.9% in 2010. This decrease was related to the adverse charges we recorded related to our exit from Grand Island, NE and adjustments to tie warranty accruals based on historical claims experience. While none of these charges related to the UPRR product warranty claim dated July 12, 2011, a summary of the 2011 charges we recorded include:

- \$3.0 million to fulfill a customer contractual obligation,
- \$2.0 million for concrete tie warranty reserve requirements,
- \$0.8 million for unsalable inventory, and
- \$1.2 million for concrete ties supplied to a Midwestern transit agency.

Construction Products

	Twelve Months Ended December 31,			Decrease		Percent Decrease	
	2012	2011	2010	2012 vs. 2011	2011 vs. 2010	2012 vs. 2011	2011 vs. 2010
	Dollars in thousands						
Net Sales	<u>\$ 169,253</u>	<u>\$ 227,734</u>	<u>\$ 227,865</u>	<u>\$ (58,481)</u>	<u>\$ (131)</u>	<u>(25.7)%</u>	<u>(0.1)%</u>
Gross Profit	<u>\$ 25,080</u>	<u>\$ 35,372</u>	<u>\$ 38,737</u>	<u>\$ (10,292)</u>	<u>\$ (3,365)</u>	<u>(29.1)%</u>	<u>(8.7)%</u>
Gross Profit Percentage	<u>14.8%</u>	<u>15.5%</u>	<u>17.0%</u>	<u>(0.7)%</u>	<u>(1.5)%</u>	<u>(4.6)%</u>	<u>(8.6)%</u>

The Year 2012 Compared to the Year 2011

Weak heavy civil construction markets and uncertain governmental funding in some states resulted in lower sales volumes for our piling division. These volume reductions and a heightened competitive environment led to gross profit erosion in our piling division. The remainder of our Construction Products divisions experienced market driven, volume-related sales and gross profit declines.

We expect this segment to begin to turn positive in 2013 despite continued pressures on government budgets, mostly due to improved activity levels in the end markets served by our piling division.

The Year 2011 Compared to the Year 2010

2011 was a mixed year for our Construction Products segment with our piling and fabricated bridge division's growth in sales being entirely offset by declines in our concrete buildings division. The growth in our piling division was almost entirely due to increased volumes while 2011 was a record sales year for our fabricated bridge division. However, in the absence of federal stimulus legislation, our concrete buildings division returned to normalized sales levels, having decreased approximately 40.8% from the 2010 period.

Tubular Products

	Twelve Months Ended December 31,			Increase		Percent Increase	
	2012	2011	2010	2012 vs. 2011	2011 vs. 2010	2012 vs. 2011	2011 vs. 2010
	Dollars in thousands						
Net Sales	<u>\$ 48,966</u>	<u>\$ 32,470</u>	<u>\$ 27,219</u>	<u>\$ 16,496</u>	<u>\$ 5,251</u>	<u>50.8%</u>	<u>19.3%</u>
Gross Profit	<u>\$ 15,189</u>	<u>\$ 8,850</u>	<u>\$ 5,782</u>	<u>\$ 6,339</u>	<u>\$ 3,068</u>	<u>71.6%</u>	<u>53.1%</u>
Gross Profit Percentage	<u>31.0%</u>	<u>27.3%</u>	<u>21.2%</u>	<u>3.8%</u>	<u>6.0%</u>	<u>13.8%</u>	<u>28.3%</u>

The Year 2012 Compared to the Year 2011

Strong demand driven by the energy markets served by our Birmingham, AL coating facility led the robust sales growth in our Tubular Products segment. This facility added a second shift during 2012 to satisfy this significantly increased demand. Our fully operational threaded products division in Magnolia, TX benefitted from improved demand in the agriculture markets. Growth in gross profit is due to the volume increases reported by both divisions.

While we expect continued strength in the oil & gas and water well application end markets in 2013, we expect such growth to be at a much lower rate.

The Year 2011 Compared to the Year 2010

Both our threaded products and coated products divisions reported strong growth in sales over 2010. The coated products sales increase was due to increased volumes, threaded products growth was due to volume increases from successfully penetrating new sales markets.

Our threaded products division's improvement drove the overall increase in gross profit margin for the segment. This growth came from improved volumes which favorably impacted manufacturing expenses. To a lesser extent, this division also was negatively impacted in 2010 by our decision to exit the micropile market.

Liquidity and Capital Resources

Total debt at December 31, 2012 was \$0.1 million and comprised of capital lease obligations. Total debt at December 31, 2011 was \$2.4 million consisting of \$1.5 million in capital lease obligations and \$0.9 million in notes we issued in connection with our Interlocking Deck Systems International, LLC (IDSI) acquisition.

Our need for liquidity relates primarily to working capital requirements for continuing operating activities, capital expenditures, JV capital obligations, strategic acquisitions or alliances, share repurchases and dividends.

The following table summarizes the impact of these items:

	2012	December 31, 2011	2010
	In millions		
Liquidity needs:			
Working capital and other assets and liabilities	\$ 2.3	\$ (5.9)	\$ 26.1
Capital expenditures	(7.2)	(11.7)	(5.9)
Other long-term debt repayments	(2.4)	(2.4)	(9.7)
Common stock purchases	—	(6.5)	—
Dividends paid to common shareholders	(1.0)	(1.0)	—
Capital contributions to JV	—	(0.8)	(0.8)
Acquisitions, net of cash acquired	—	(9.0)	(90.8)
Repayments of term loan	—	—	(13.1)
Cash interest paid	(0.4)	(0.5)	(0.8)
Net liquidity requirements	<u>(8.7)</u>	<u>(37.8)</u>	<u>(95.0)</u>
Liquidity sources:			
Internally generated cash flows before interest paid	24.5	38.0	30.8
Proceeds from asset sales	—	—	10.2
Equity transactions	0.3	0.6	1.4
Foreign exchange effects	0.9	(0.9)	—
Net liquidity sources	<u>25.7</u>	<u>37.7</u>	<u>42.4</u>
Discontinued operations	10.7	(1.0)	2.6
Net Change in Cash	<u>\$27.7</u>	<u>\$ (1.1)</u>	<u>\$ (50.0)</u>

Cash Flow from Continuing Operating Activities

During 2012, cash provided by continuing operating activities was \$26.2 million compared to \$31.5 million of cash provided by continuing operating activities in 2011. During 2012, income and adjustments to income from continuing operating activities provided \$24.1 million compared to providing \$37.5 million in 2011. Working capital and other assets and liabilities provided \$2.3 million in 2012 compared to working capital and other assets and liabilities using \$5.9 million in 2011. Increased inventory related to a few of our key projects, such as the Honolulu, HI elevated transit system and the \$12.0 million cash payment to the UPRR were the primary drivers of the reductions.

During 2011, cash provided by continuing operating activities was \$31.5 million compared to \$56.1 million of cash provided by continuing operating activities in 2010. During 2011, income and adjustments to income from continuing operating activities provided \$37.5 million compared to providing \$30.0 million in 2010. Working capital and other assets and liabilities used \$5.9 million in 2011 compared to working capital and other assets and liabilities providing \$26.1 million in 2010. 2010 reductions in accounts receivable and inventory, net of a reduction in accounts payable, was the main reason cash from operating activities decreased during 2011.

During 2010, cash provided by continuing operating activities was \$56.1 million compared to \$24.1 million of cash provided by continuing operating activities in 2009. During 2010, income and adjustments to income

from continuing operating activities provided \$30.0 million compared to providing \$21.8 million in 2009. Working capital and other assets and liabilities provided \$26.1 million in 2010 compared to working capital and other assets and liabilities providing \$2.3 million in 2009. Even though 2010 fourth quarter sales increased over the prior year comparable period, we were able to reduce accounts receivable and inventory substantially, exclusive of the effects of the Rail Technologies acquisition.

Cash Flow from Continuing Investing Activities

Capital expenditures in 2012 related primarily to our new Burnaby, British Columbia, Canada Rail Technologies facility, moving our threaded products operations to Magnolia, TX, information technology infrastructure, yard upgrades and plant equipment. We anticipate 2013 capital expenditures to be in the \$10.0 million — \$11.0 million range. We expect to generate cash flows from operating activities in 2013 in excess of capital expenditures, scheduled debt service payments, share repurchases and dividends.

The final cash payment of \$9.0 million associated with our acquisition of Rail Technologies was paid in January 2011. We incurred capital expenditures of \$11.7 million in 2011 primarily for a new threading facility in Magnolia, TX, our new Burnaby, British Columbia, Canada Rail Technologies facility, plant and yard upgrades and information technology infrastructure. Also, we contributed an additional \$0.8 million to our JV under the amended agreement.

Continuing investing activities used \$87.3 million during 2010 primarily from our acquisitions of Rail Technologies and IDSI, net of Rail Technologies cash acquired. Capital expenditures totaled \$5.9 million. Also, we contributed an additional \$0.8 million to the JV. These uses were partially offset by the receipt of \$10.2 million in proceeds related to the required divestiture of the Rail Technologies rail joint business.

Cash Flow from Continuing Financing Activities

We paid quarterly dividends of \$0.025 per share in 2012. While we did not make any share repurchases during 2012, there remains approximately \$18.5 million under the program approved by our Board of Directors in May 2011 which expires on December 31, 2013.

We declared our first regular quarterly dividend of \$0.025 per share beginning in 2011. In 2011, we also spent approximately \$6.5 million to repurchase 278,655 common shares under the share repurchase program approved by our Board of Directors in May 2011.

In 2010, in connection with the receipt of the Rail Technologies rail joint business divestiture proceeds, we repaid all outstanding debt of Rail Technologies, approximating \$7.5 million. Additionally, we repaid our term loan of approximately \$13.1 million in December 2010.

Financial Condition

As of December 31, 2012, we had approximately \$101.5 million in cash and cash equivalents and a domestic revolving credit facility with \$123.8 million of availability. As of December 31, 2012 we were in compliance with all of our credit agreement's covenants. We believe this capacity will afford us the flexibility to take advantage of opportunities as we explore both organic and external growth opportunities.

Included within cash and cash equivalents are investments in money market funds with various underlying securities. These money market funds all maintained AAA credit agency ratings during 2012. Our priority continues to be the preservation of our principal balances while investing our funds in a manner to maximize returns and maintain liquidity while seeking the highest yield available. Approximately \$38.7 million of our cash and cash equivalents is held in non-domestic bank accounts. These funds are available to meet the liquidity needs of our foreign operations. Repatriation activity would subject these funds to U.S. income taxes.

Borrowings under our Credit Agreement bear interest at rates based upon either the base rate or LIBOR based rate plus applicable margins. Applicable margins are dictated by the ratio of our indebtedness less cash on hand to our consolidated EBITDA. The base rate is the highest of (a) PNC Bank's prime rate or (b) the Federal Funds Rate plus .50% or (c) the daily LIBOR rate plus 1.00%. The base rate spread ranges from 0.00% to 1.00%.

LIBOR based rates are determined by dividing the published LIBOR rate by a number equal to 1.00 minus the percentage prescribed by the Federal Reserve for determining the maximum reserve requirements with respect to any Eurocurrency funding by banks on such day. The LIBOR based rate spread ranges from 1.00% to 2.00%.

Tabular Disclosure of Contractual Obligations

A summary of the Company's required payments under financial instruments and other commitments at December 31, 2012 are presented in the following table:

	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
In thousands					
Contractual Cash Obligations					
Capital leases(1)	\$ 62	\$ 35	\$ 22	\$ 5	\$ —
Interest on capital leases(1)	3	2	1	—	—
Pension plan contributions	783	783	—	—	—
Operating leases	12,464	3,138	4,803	4,523	—
Purchase obligations not reflected in the financial statements	31,808	31,808	—	—	—
Total contractual cash obligations	<u>\$45,120</u>	<u>\$35,766</u>	<u>\$4,826</u>	<u>\$4,528</u>	<u>\$ —</u>
Other Financial Commitments					
Standby letters of credit	<u>\$ 1,171</u>	<u>\$ 1,070</u>	<u>\$ 101</u>	<u>\$ —</u>	<u>\$ —</u>

(1) Capital lease obligations are payable in installments through 2015 and have interest rates, payable monthly, ranging from 1.74% to 8.46%.

Other long-term liabilities include items such as income taxes which are not contractual obligations by nature. The Company can not estimate the settlement years for these items and has excluded them from the above table.

Management believes its internal and external sources of funds are adequate to meet anticipated needs, including those disclosed above, for the foreseeable future.

Off Balance Sheet Arrangements

The Company's off-balance sheet arrangements include the operating leases, purchase obligations and standby letters of credit disclosed within the contractual obligations table above in the "Liquidity and Capital Resources" section. These arrangements provide the Company with increased flexibility relative to the utilization and investment of cash resources.

Outlook

The Company expects 2013 to be a year in which the construction business will turn positive. Following a number of difficult quarters, order trends indicate that an upturn is likely despite continued pressures on government budgets. Rail and tubular markets will grow with end customer demand varying depending on specific customer strategies. We expect our sales growth to be in the range of 5% to 6.5% for 2013. This will be comprised of double digit growth for construction and low to mid-single digit growth for rail and tubular.

The Company is also planning to increase spending on capital projects for capacity and new product programs as well as for adding resources for new products and addressing under-served markets. These investments support the Company's strategic plan and address opportunities for growth and creating shareholder value. Pre-tax margins are expected to be in the 7.6% to 7.8% range as a portion of expected increases in gross profit margins are directed toward strategic programs that will result in increases in selling and administrative expenses.

Our CXT Rail operation is dependent on the UPRR for a significant portion of its business. In 2012, we agreed on a multi-year contract extension for the supply of concrete railroad ties from our Tucson, AZ facility. We are currently operating the Tucson, AZ facility at 80% capacity for the UPRR.

Class 1 Railroad capital spending is expected to remain positive in 2013 and we anticipate reasonable carload and intermodal rail traffic without further erosion in coal traffic. In May 2012, we were rewarded with the largest order in the Company's history (approximately \$60 million) for an elevated transit system in Honolulu, HI which we believe illustrates the strength in our underlying Rail Products operations.

Our tubular divisions end markets in oil & gas and water well applications are driven by energy and agriculture. The growth in these two markets should continue into 2013, but at significantly slower rates than we experienced during 2012.

While we anticipate improving market conditions for our Construction Products segment approximately 30 U.S. states are projecting budget deficits in the current fiscal year that may present challenges to many of the end markets in which we sell that rely on state government funding. Certain of our businesses sell to markets that rely heavily on spending authorized by the federal transportation funding bill, Moving Ahead for Progress in the 21st Century (MAP-21), enacted in July 2012. This legislation, expiring in September 2014, authorized transportation spending over a two year period at levels similar to its predecessor bill, SAFETEA-LU.

Although backlog is not necessarily indicative of future operating results, total Company backlog at December 31, 2012 was approximately \$210.9 million. The following table provides the backlog by business segment:

	2012	Backlog 2011	2010
		In thousands	
Rail Products	\$ 140,592	\$ 66,434	\$ 86,001
Construction Products	59,239	63,121	98,092
Tubular Products	11,087	10,784	720
Total Backlog from Continuing Operating Activities	<u>\$ 210,918</u>	<u>\$ 140,339</u>	<u>\$ 184,813</u>

While a considerable portion of the Foster business is somewhat backlog driven, the Rail Technologies business is less sensitive to backlog at any given time.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

The Company does not purchase or hold any derivative financial instruments for trading purposes.

At contract inception, the Company designates its derivative instruments as hedges. The Company recognizes all derivative instruments on the balance sheet at fair value. Fluctuations in the fair values of derivative instruments designated as cash flow hedges are recorded in accumulated other comprehensive income and reclassified into earnings within other income as the underlying hedged items affect earnings. To the extent that a change in a derivative does not perfectly offset the change in value of the interest rate being hedged, the ineffective portion is recognized in earnings immediately. The Company did not have any interest rate derivatives as of December 31, 2012 or 2011.

Foreign Currency Exchange Rate Risk

The Company is subject to exposures to changes in foreign currency exchange rates. The Company manages its exposure to changes in foreign currency exchange rates on firm sale and purchase commitments by entering into foreign currency forward contracts. The Company's risk management objective is to reduce its exposure to the effects of changes in exchange rates on these transactions over the duration of the transactions. The Company did not engage in significant foreign currency hedging transactions during the three-year period ended December 31, 2012, and no foreign currency hedges remained outstanding as of December 31, 2012. Realized gains or losses from foreign currency hedges did not exceed \$0.1 million in any of the three years ended December 31, 2012.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

L.B. Foster Company and Subsidiaries

We have audited L.B. Foster Company and Subsidiaries' internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). L.B. Foster Company and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, L.B. Foster Company and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of L.B. Foster Company and Subsidiaries, as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2012 and our report dated March 8, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Ernst & Young LLP

Pittsburgh, Pennsylvania
March 8, 2013

The Board of Directors and Stockholders of L.B. Foster Company and Subsidiaries

We have audited the accompanying consolidated balance sheets of L.B. Foster Company and Subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2012. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of L.B. Foster Company and Subsidiaries at December 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), L.B. Foster Company and Subsidiaries' internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 8, 2013, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Ernst & Young LLP

Pittsburgh, Pennsylvania
March 8, 2013

L. B. FOSTER COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2012 AND 2011

	2012	2011
	In thousands, except share data	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 101,464	\$ 73,727
Accounts receivable — net	59,673	66,496
Inventories — net	107,108	89,464
Current deferred tax assets	4,585	—
Prepaid income tax	1,195	3,684
Other current assets	1,903	1,758
Current assets of discontinued operations	464	4,864
Total Current Assets	<u>276,392</u>	<u>239,993</u>
PROPERTY, PLANT AND EQUIPMENT — NET		
Goodwill	42,333	45,837
Other intangibles — net	41,237	41,237
Investments	40,165	42,871
Other assets	4,332	3,495
Other assets	1,663	1,415
Assets of discontinued operations	—	5,046
TOTAL ASSETS	<u>\$ 406,122</u>	<u>\$ 379,894</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable — trade	\$ 50,454	\$ 49,213
Deferred revenue	7,447	6,833
Accrued payroll and employee benefits	9,604	9,483
Accrued warranty	15,727	6,632
Current maturities of long-term debt	35	2,384
Current deferred tax liabilities	—	759
Other accrued liabilities	8,596	8,134
Liabilities of discontinued operations	106	1,294
Total Current Liabilities	<u>91,969</u>	<u>84,732</u>
LONG-TERM DEBT	27	51
DEFERRED TAX LIABILITIES	12,140	11,708
OTHER LONG-TERM LIABILITIES	14,411	13,588
STOCKHOLDERS' EQUITY:		
Common stock, outstanding 10,149,398 shares in 2012 and 10,073,403 shares in 2011	111	111
Paid-in capital	46,290	47,349
Retained earnings	270,311	255,152
Treasury stock — at cost, Common Stock, 966,381 shares in 2012 and 1,042,376 shares in 2011	(25,468)	(28,169)
Accumulated other comprehensive loss	(3,669)	(4,628)
Total Stockholders' Equity	<u>287,575</u>	<u>269,815</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 406,122</u>	<u>\$ 379,894</u>

See Notes to Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS FOR
THE THREE YEARS ENDED DECEMBER 31, 2012

	2012	2011	2010
	In thousands, except per share data		
Net Sales	\$588,541	\$575,337	\$467,058
Cost of Goods Sold	496,272	476,927	394,197
Gross Profit	92,269	98,410	72,861
Selling and Administrative Expenses	66,651	64,807	41,201
Amortization Expense	2,961	2,791	443
Interest Expense	542	622	1,003
Interest Income	(452)	(321)	(403)
Equity in (Income)/Loss of Nonconsolidated Investment	(837)	(707)	213
Loss/(Gain) on Foreign Exchange	238	(237)	83
Gain on Marketable Securities	—	—	(1,364)
Other Income	(664)	(1,197)	(279)
	<u>68,439</u>	<u>65,758</u>	<u>40,897</u>
Income From Continuing Operations Before Income Taxes	23,830	32,652	31,964
Income Tax Expense	9,066	10,585	11,958
Income From Continuing Operations	<u>14,764</u>	<u>22,067</u>	<u>20,006</u>
Discontinued Operations:			
Income From Discontinued Operations Before Income Taxes, including Gain on Sale	3,842	1,287	778
Income Tax Expense	2,418	459	292
Income From Discontinued Operations	<u>1,424</u>	<u>828</u>	<u>486</u>
Net Income	<u>\$ 16,188</u>	<u>\$ 22,895</u>	<u>\$ 20,492</u>
Basic Earnings Per Common Share:			
From Continuing Operations	\$ 1.46	\$ 2.16	\$ 1.96
From Discontinued Operations	0.14	0.08	0.05
Basic Earnings Per Common Share	<u>\$ 1.60</u>	<u>\$ 2.24</u>	<u>\$ 2.01</u>
Diluted Earnings Per Common Share:			
From Continuing Operations	\$ 1.44	\$ 2.14	\$ 1.93
From Discontinued Operations	0.14	0.08	0.05
Diluted Earnings Per Common Share	<u>\$ 1.58</u>	<u>\$ 2.22</u>	<u>\$ 1.98</u>
Dividends Paid Per Common Share	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ —</u>

See Notes to Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR
THE THREE YEARS ENDED DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>	<u>2010</u>
		<u>In thousands</u>	
Net Income	<u>\$16,188</u>	<u>\$22,895</u>	<u>\$20,492</u>
Other comprehensive income (loss):			
Pension liability adjustments (Net of tax: \$356, \$1,255, \$34)	(765)	(2,254)	(74)
Foreign currency translation adjustment	1,724	(1,306)	117
Reclassification of market value adjustments for investments to earnings (Net of tax: \$-, \$-, \$510)	—	—	(730)
Reclassification of unrealized derivative loss on cash flow hedges to earnings (Net of tax: \$-, \$-, (\$7))	—	—	11
	<u>959</u>	<u>(3,560)</u>	<u>(676)</u>
Comprehensive Income	<u>\$17,147</u>	<u>\$19,335</u>	<u>\$19,816</u>

See Notes to Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR
THE THREE YEARS ENDED DECEMBER 31, 2012

	2012	2011	2010
	In thousands		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income from continuing operations	\$ 14,764	\$ 22,067	\$ 20,006
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Deferred income taxes	(4,563)	3,484	1,130
Depreciation and amortization	12,973	12,007	9,219
Equity in income/(loss) of nonconsolidated investment	(837)	(707)	213
Loss on sale of property, plant and equipment	388	145	10
Gain on sale of marketable securities	—	—	(1,364)
Deferred gain amortization on sale-leaseback	(456)	(1,081)	(215)
Share-based compensation	1,989	1,958	1,944
Unrealized loss on derivative mark-to-market	—	—	11
Excess tax benefit from share-based compensation	(199)	(425)	(961)
Change in operating assets and liabilities:			
Accounts receivable	6,823	1,616	9,963
Inventories	(17,644)	(1,932)	29,954
Other current assets	(243)	923	8
Prepaid income tax	4,339	(2,141)	478
Other noncurrent assets	(194)	(136)	88
Accounts payable — trade	1,241	6,128	(13,868)
Deferred revenue	1,467	(9,609)	667
Accrued payroll and employee benefits	(594)	(566)	(1,201)
Other current liabilities	6,655	(2,161)	897
Other liabilities	381	1,925	(841)
Net Cash Provided by Continuing Operating Activities	<u>26,290</u>	<u>31,495</u>	<u>56,138</u>
Net Cash Provided/(Used) by Discontinued Operations	<u>176</u>	<u>(825)</u>	<u>3,344</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from the sale of property, plant and equipment	24	41	10,179
Capital expenditures on property, plant and equipment	(7,160)	(11,733)	(5,920)
Acquisitions	—	(8,952)	(90,807)
Capital contributions to equity method investment	—	(800)	(800)
Net Cash Used by Continuing Investing Activities	<u>(7,136)</u>	<u>(21,444)</u>	<u>(87,348)</u>
Net Cash Provided/(Used) by Discontinued Operations	<u>10,548</u>	<u>(206)</u>	<u>(240)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of other long-term debt	(2,373)	(2,366)	(9,738)
Repayments of term loan	—	—	(13,095)
Proceeds from exercise of stock options and stock awards	122	207	451
Treasury stock acquisitions	—	(6,480)	(17)
Cash dividends on common stock paid to shareholders	(1,029)	(1,022)	—
Excess tax benefit from share-based compensation	199	425	961
Net Cash Used by Continuing Financing Activities	<u>(3,081)</u>	<u>(9,236)</u>	<u>(21,438)</u>
Net Cash Used by Discontinued Financing Activities	<u>—</u>	<u>—</u>	<u>(550)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>940</u>	<u>(857)</u>	<u>49</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	<u>27,737</u>	<u>(1,073)</u>	<u>(50,045)</u>
Cash and Cash Equivalents at Beginning of Period	<u>73,727</u>	<u>74,800</u>	<u>124,845</u>
Cash and Cash Equivalents at End of Period	<u>\$ 101,464</u>	<u>\$ 73,727</u>	<u>\$ 74,800</u>
Supplemental Disclosure of Cash Flow Information:			
Interest Paid	<u>\$ 405</u>	<u>\$ 505</u>	<u>\$ 806</u>
Income Taxes Paid	<u>\$ 11,999</u>	<u>\$ 9,395</u>	<u>\$ 10,805</u>
Accrued Portec Purchase Price Funded in January 2011			<u>\$ 8,952</u>
Portec Available-for-Sale Securities Redeemed as part of Acquisition			<u>\$ 2,158</u>
Capital Expenditures Funded through Capital Leases			<u>\$ 199</u>

See Notes to Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY FOR
THE THREE YEARS ENDED DECEMBER 31, 2012

	Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Total
	In thousands, except share data					
Balance, January 1, 2010	\$ 111	\$47,660	\$212,787	\$(27,574)	\$ (392)	\$232,592
Net income			20,492			20,492
Other comprehensive income (loss) net of tax:						
Pension liability adjustment					(74)	(74)
Unrealized derivative loss on cash flow hedges					11	11
Foreign currency translation adjustment					117	117
Market value adjustments for investments					(730)	(730)
Purchase of 493 Common shares for Treasury				(17)		(17)
Issuance of 113,667 Common shares, net of forfeitures		(374)		3,730		3,356
Balance, December 31, 2010	<u>111</u>	<u>47,286</u>	<u>233,279</u>	<u>(23,861)</u>	<u>(1,068)</u>	<u>255,747</u>
Net income			22,895			22,895
Other comprehensive (loss) income net of tax:						
Pension liability adjustment					(2,254)	(2,254)
Foreign currency translation adjustment					(1,306)	(1,306)
Purchase of 278,655 Common shares for Treasury				(6,480)		(6,480)
Issuance of 50,528 Common shares, net of forfeitures		63		2,172		2,235
Cash dividends on common stock paid to shareholders			(1,022)			(1,022)
Balance, December 31, 2011	<u>111</u>	<u>47,349</u>	<u>255,152</u>	<u>(28,169)</u>	<u>(4,628)</u>	<u>269,815</u>
Net income			16,188			16,188
Other comprehensive income net of tax:						
Pension liability adjustment					(765)	(765)
Foreign currency translation adjustment					1,724	1,724
Issuance of 75,995 Common shares, net of forfeitures		(1,059)		2,701		1,642
Cash dividends on common stock paid to shareholders			(1,029)			(1,029)
Balance, December 31, 2012	<u>\$ 111</u>	<u>\$46,290</u>	<u>\$270,311</u>	<u>\$(25,468)</u>	<u>\$ (3,669)</u>	<u>\$287,575</u>

See Notes to Consolidated Financial Statements.

L.B. FOSTER COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1.

Summary of Significant Accounting Policies

Basis of financial statement presentation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, ventures and partnerships in which a controlling interest is held. Inter-company transactions have been eliminated. The Company utilizes the equity method of accounting for companies where its ownership is less than or equal to 50% and significant influence exists.

Cash and cash equivalents

The Company considers cash and other instruments with maturities of three months or less, when purchased, to be cash and cash equivalents.

Cash equivalents principally consist of investments in money market funds and bank certificates of deposit at December 31, 2012 and 2011. The Company invests available funds in a manner to maximize returns, preserve investment principle and maintain liquidity while seeking the highest yield available.

The following table summarizes the Company's investment in money market funds at December 31:

	2012	
	Cost	Fair Value
	In thousands	
BlackRock Liquidity Temporary Fund — Institutional	\$58,620	\$ 58,620
	2011	
	Cost	Fair Value
	In thousands	
BlackRock Liquidity Temporary Fund — Institutional	\$42,273	\$ 42,273

The above investment is a money market fund with various underlying securities all of which maintained AAA credit agency ratings. The carrying amounts approximate fair value because of the short maturity of the instruments.

Cash equivalents also consisted of investments in bank certificates of deposit of approximately \$26,045,000 and \$22,520,000 at December 31, 2012 and 2011, respectively. The carrying amounts approximated fair value because of the short maturity of the instruments.

Cash and cash equivalents held in non-domestic accounts was approximately \$38,731,000 and \$28,639,000 at December 31, 2012 and 2011, respectively.

Inventories

Certain inventories are valued at the lower of the last-in, first-out (LIFO) cost or market. Approximately 37% in 2012 and 43% in 2011, of the Company's inventory is valued at average cost or market, whichever is lower. Slow-moving inventory is reviewed and adjusted regularly, based upon product knowledge, physical inventory observation, and the age of the inventory.

Property, plant and equipment

Maintenance, repairs and minor renewals are charged to operations as incurred. Major renewals and betterments which substantially extend the useful life of the property are capitalized at cost. Upon sale or other disposition of assets, the costs and related accumulated depreciation and amortization are removed from the accounts and the resulting gain or loss, if any, is reflected in income.

Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of 25 to 40 years for buildings and 3 to 10 years for machinery and equipment. Leasehold improvements are amortized over 2 to 7 years which represent the lives of the respective leases or the lives of the improvements, whichever is shorter. The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company did not record any asset impairment charges during 2012, 2011 or 2010.

Allowance for doubtful accounts

The allowance for doubtful accounts is recorded to reflect the ultimate realization of the Company's accounts receivable and includes assessment of the probability of collection and the credit-worthiness of certain customers. Reserves for uncollectible accounts are recorded as part of selling and administrative expenses on the Consolidated Statements of Operations. The Company records a monthly provision for accounts receivable that are considered to be 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 are reviewed and adjusted to more accurately reflect the credit risk inherent within that customer relationship.

Investments

Investments in companies in which the Company has the ability to exert significant influence, but not control, over operating and financial policies (generally 20% to 50% ownership) are accounted for using the equity method. Under the equity method, investments are initially recorded at cost and adjusted for dividends and undistributed earnings and losses. The equity method of accounting requires a company to recognize a loss in the value of an equity method investment that is other than a temporary decline.

Goodwill and other intangible assets

Goodwill is tested annually for impairment or more often if there are indicators of impairment. 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 operating activities. The Company performs its annual impairment tests as of October 1st. No goodwill impairment was recognized during 2012, 2011 or 2010.

The Company has no significant indefinite-lived intangible assets. All intangible assets are amortized over their useful lives ranging from 5 to 25 years, with a total weighted average amortization period of approximately 20 years, as of December 31, 2012.

See Note 5, "Goodwill and Other Intangible Assets," for additional information including regarding the Company's goodwill and other intangible assets.

Environmental remediation and compliance

Environmental remediation costs are accrued when the liability is probable and costs are estimable. Environmental compliance costs, which principally include the disposal of waste generated by routine operations, are expensed as incurred. Capitalized environmental costs, when appropriate, are depreciated over their useful life. Reserves 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. 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, 2012 and 2011, the Company maintained environmental and litigation reserves approximating \$2,141,000 and \$2,184,000, respectively.

Earnings per share

Basic earnings per share is calculated by dividing net income by the weighted average of common shares outstanding during the year. Diluted earnings per share is calculated by using the weighted average of common shares outstanding adjusted to include the potentially dilutive effect of outstanding stock options and restricted stock utilizing the treasury stock method.

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. Revenue is recorded net of returns, allowances, customer discounts and incentives. Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net (excluded from revenues) basis. 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. At the time a loss contract becomes known, the entire amount of the estimated loss is recognized in the Consolidated Statement of Operations. Revenues recognized using percentage of completion were less than 10% of the Company's consolidated revenues for the years ended December 31, 2012, 2011 and 2010.

Revenues from contract change orders and claims are recognized when the settlement is probable and the amount can be reasonably estimated. Contract costs include all direct material, labor, subcontract costs and those indirect costs related to contract performance. Costs in excess of billings are classified as work-in-process inventory and generally comprise less than 5% of the Company's inventory at cost.

Fair value of financial instruments

The Company's financial instruments consist of cash equivalents, accounts receivable, investments, accounts payable and short-term and long-term debt.

The carrying amounts of the Company's financial instruments at December 31, 2012 and 2011 approximate fair value. See Note 20, "Fair Value Measurements," for additional information.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Stock-based compensation

The Company applies the provisions of FASB ASC 718, "Compensation — Stock Compensation," to account for the Company's share-based compensation. Under the guidance, share-based compensation cost is measured at the grant date based on the calculated fair value of the award. The expense is recognized over the employees' requisite service period, generally the vesting period of the award.

Derivative financial instruments and hedging activities

The Company does not purchase or hold any derivative financial instruments for trading purposes.

At contract inception, the Company designates its derivative instruments as hedges. The Company recognizes all derivative instruments on the balance sheet at fair value. Fluctuations in the fair values of derivative instruments designated as cash flow hedges are recorded in accumulated other comprehensive income and reclassified into earnings within other income as the underlying hedged items affect earnings. To the extent that a change in the derivative does not perfectly offset the change in value of the risk being hedged, the ineffective portion is recognized in earnings immediately.

The Company is subject to exposures to changes in foreign currency exchange rates. The Company manages its exposure to changes in foreign currency exchange rates on firm sale and purchase commitments by entering into foreign currency forward contracts. The Company's risk management objective is to reduce its exposure to the effects of changes in exchange rates on these transactions over the duration of the transactions. No foreign currency hedges remained outstanding as of December 31, 2012 or 2011. Realized gains or losses from foreign currency hedges did not exceed \$100,000 during the twelve month periods ended December 31, 2012, 2011 or 2010.

Product warranty

The Company maintains a current warranty liability 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 products, 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 or due to changes in the Company's historical warranty experience. At December 31, 2012 and 2011, the product warranty was \$15,727,000 and \$6,632,000, respectively. See Note 21, "Commitments and Contingencies" for additional information regarding the product warranty.

Asset retirement obligations

The Company maintains liabilities for asset retirement obligations (ARO) in conjunction with the leases of the Tucson, AZ concrete railroad tie facility and a Pittsburgh, PA Rail Technologies facility.

A reconciliation of our liability for ARO's at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
	In thousands	
Asset retirement obligation at beginning of year	\$ 931	\$ 1,407
Liabilities settled	(336)	(510)
Revisions in estimated cash flows	35	—
Accretion expense	33	34
Asset retirement obligation at end of year	<u>\$ 663</u>	<u>\$ 931</u>

At December 31, 2012, the balance of the ARO was recorded in "Other Long-Term Liabilities." At December 31, 2011, approximately \$906,000 was recorded in "Other Current Liabilities" with the remainder recorded in "Other Long-Term Liabilities". The ARO associated with our Tucson, AZ concrete railroad tie facility was included in "Other Current Liabilities" at December 31, 2011. At December 31, 2012, this ARO was reclassified to "Other Long-Term Liabilities" due to the multi-year extension of the lease.

Income taxes

Income taxes are accounted for under the asset and liability method. The provision for income taxes includes federal, state and foreign income taxes and reflects the taxes to be paid for the period and the change during the period in the deferred tax assets and liabilities.

The Company files a consolidated U.S. federal income tax return with certain wholly-owned subsidiaries. The deferred tax assets and/or liabilities are determined by multiplying the differences between the financial reporting and tax reporting bases for assets and liabilities by the enacted tax rates expected to be in effect when such differences are recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date of the change.

The Company makes judgments regarding the recognition of deferred tax assets and the future realization of these assets. As prescribed by FASB ASC 740 "Income Taxes" and applicable guidance, 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. The guidance requires the Company 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 the Company to make estimates and judgments of future financial results.

The Company evaluates all tax positions taken on federal, state and foreign 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. The Company accrues interest and penalties related to unrecognized tax benefits in its provision for income taxes.

Foreign currency translation

The assets and liabilities of our foreign subsidiaries are measured using the local currency as the functional currency and are translated into U.S. dollars at exchange rates as of the balance sheet date. Income statement amounts are translated at the weighted-average rates of exchange during the year. The translation adjustment is accumulated as a separate component of accumulated other comprehensive income (loss). Foreign currency transaction gains and losses are included in determining net income. Included in net income for the years ended December 31, 2012 and 2010 were foreign currency transaction losses of approximately \$238,000 and \$83,000, respectively. Included in net income for the year ended December 31, 2011 was a foreign currency transaction gain of approximately \$237,000.

Research and development

The Company expenses research and development costs as costs are incurred. For the years ended December 31, 2012, 2011 and 2010, research and development expenses were \$2,926,000, \$1,899,000 and \$273,000, respectively, and were principally related to the Company's friction management and railroad monitoring system products.

Reclassifications

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes principally to conform to the presentation of discontinued operations in the current year period.

Note 2.

Business Segments

L.B. Foster Company is organized and evaluated by product group, which is the basis for identifying reportable segments.

The Company is engaged in the manufacture, fabrication and distribution of rail, construction and tubular products.

The Company's Rail segment provides a full line of new and used rail, trackwork and accessories to railroads, mines and industry. The Rail segment 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. The Company also engineers, manufactures and assembles friction management products and railway wayside data collection and management systems.

The Company's Construction segment sells and rents steel sheet piling, H-bearing pile, and other piling products for foundation and earth retention requirements. In addition, the Company's Fabricated Products division sells bridge decking, bridge railing, structural steel fabrications, expansion joints and other products for highway construction and repair. The Buildings division produces precast concrete buildings.

The Company's Tubular segment supplies pipe coatings for natural gas pipelines and utilities. Additionally, this segment produces threaded pipe products for industrial water well and irrigation markets.

The Company markets its products directly in all major industrial areas of the United States, Canada and the United Kingdom, primarily through an internal sales force.

The following table illustrates net sales, profits, assets, depreciation/amortization and expenditures for long-lived assets of the Company by segment from continuing operating activities. Segment profit is the earnings from continuing operating activities before income taxes and includes internal cost of capital charges for assets used in the segment at a rate of, generally 1% per month. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies except that the Company accounts for inventory on a First-In, First-Out (FIFO) basis at the segment level compared to a Last-In, First-Out (LIFO) basis at the consolidated level.

	2012				
	Net Sales	Segment Profit	Segment Assets	Depreciation/Amortization	Expenditures for Long-Lived Assets
	In thousands				
Rail Products	\$370,322	\$ 9,074	\$204,341	\$ 9,736	\$ 4,180
Construction Products	169,253	7,859	73,804	2,119	474
Tubular Products	48,966	12,854	13,573	599	1,350
Total	<u>\$588,541</u>	<u>\$29,787</u>	<u>\$291,718</u>	<u>\$ 12,454</u>	<u>\$ 6,004</u>
	2011				
	In thousands				
Rail Products	\$315,133	\$18,724	\$191,278	\$ 8,908	\$ 5,894
Construction Products	227,734	16,323	88,615	2,180	1,049
Tubular Products	32,470	6,810	11,758	453	3,995
Total	<u>\$575,337</u>	<u>\$41,857</u>	<u>\$291,651</u>	<u>\$ 11,541</u>	<u>\$ 10,938</u>
	2010				
	In thousands				
Rail Products	\$211,974	\$11,905	\$203,263	\$ 6,327	\$ 3,094
Construction Products	227,865	20,356	87,121	1,761	1,398
Tubular Products	27,219	3,949	6,207	765	543
Total	<u>\$467,058</u>	<u>\$36,210</u>	<u>\$296,591</u>	<u>\$ 8,853</u>	<u>\$ 5,035</u>

During 2012 and 2010 no single customer accounted for more than 10% of the Company's consolidated net sales. In 2011, one customer accounted for approximately 10% of consolidated net sales. Sales to this customer were recorded in the Rail Products and Construction Products segments and were approximately \$58,715,000 during 2011. Sales between segments are immaterial.

Reconciliations of reportable segment net sales, profits, assets, depreciation/amortization, and expenditures for long-lived assets from continuing operating activities to the Company's consolidated totals from continuing operating activities are illustrated as follows:

	2012	2011	2010
	In thousands		
Net Sales from Continuing Operations:			
Total for reportable segments	\$ 588,541	\$ 575,337	\$ 467,058
Other net sales	—	—	—
Total	<u>\$ 588,541</u>	<u>\$ 575,337</u>	<u>\$ 467,058</u>
Income from Continuing Operations:			
Total for reportable segments	\$ 29,787	\$ 41,857	\$ 36,210
Adjustment of inventory to LIFO	1,118	(2,183)	2,276
Unallocated interest income	452	321	403
Unallocated equity in income/(losses) of nonconsolidated investments	837	707	(213)
Unallocated acquisition costs	—	—	(2,413)
Unallocated gain on sale of marketable securities	—	—	1,364
Unallocated corporate amounts	(8,364)	(8,050)	(5,663)
Income from continuing operations, before income taxes	<u>\$ 23,830</u>	<u>\$ 32,652</u>	<u>\$ 31,964</u>
Assets:			
Total for reportable segments	\$ 291,718	\$ 291,651	\$ 296,591
Unallocated corporate assets	117,639	92,888	84,294
LIFO and corporate inventory reserves	(9,235)	(10,443)	(8,226)
Unallocated property, plant and equipment	6,000	5,798	5,743
Total assets	<u>\$ 406,122</u>	<u>\$ 379,894</u>	<u>\$ 378,402</u>
Depreciation/Amortization:			
Total for reportable segments	\$ 12,454	\$ 11,541	\$ 8,853
Other	519	466	366
Total	<u>\$ 12,973</u>	<u>\$ 12,007</u>	<u>\$ 9,219</u>
Expenditures for Long-Lived Assets:			
Total for reportable segments	\$ 6,004	\$ 10,938	\$ 5,035
Expenditures financed under capital leases	—	—	199
Other expenditures	1,156	795	687
Total	<u>\$ 7,160</u>	<u>\$ 11,733</u>	<u>\$ 5,921</u>

The following table summarizes the Company's sales from continuing operating activities by major geographic region in which the Company has operations:

	2012	2011	2010
	In thousands		
United States	\$ 485,111	\$ 483,889	\$ 443,547
Canada	40,892	41,252	9,862
United Kingdom	18,698	14,728	627
Other	43,840	35,468	13,022
	<u>\$ 588,541</u>	<u>\$ 575,337</u>	<u>\$ 467,058</u>

The following table summarizes the Company's long-lived assets of continuing operating activities by geographic region:

	2012	2011	2010
		In thousands	
United States	\$ 31,961	\$ 35,918	\$ 33,535
Canada	9,773	9,374	9,785
United Kingdom	599	545	489
	<u>\$ 42,333</u>	<u>\$ 45,837</u>	<u>\$ 43,809</u>

The following table summarizes the Company's sales by major product line from continuing operating activities:

	2012	2011	2010
		In thousands	
Rail distribution products	\$ 155,832	\$ 115,777	\$ 102,155
Piling products	114,070	162,641	146,703
Rail Technologies products	92,826	97,775	4,556
CXT concrete tie products	58,182	48,968	53,518
CXT concrete building products	30,195	35,557	60,091
Other products	137,436	114,619	100,035
	<u>\$ 588,541</u>	<u>\$ 575,337</u>	<u>\$ 467,058</u>

Note 3.

Acquisitions

Portec Rail Products, Inc.

On December 15, 2010, the Company acquired Portec Rail Products, Inc. (Rail Technologies) and recorded its acquisition in accordance with ASC 805, "Business Combinations." All outstanding shares of common stock of Rail Technologies not owned by the Company were canceled and converted into the right to receive consideration equal to \$11.80 per share net to the holder in cash, without interest thereon. The total consideration paid in cash by the Company for the shares acquired in the merger and tender offer was approximately \$113,322,000, including a final payment of \$8,952,000 made in January 2011.

The results of the operations of Rail Technologies are included in the Company's Consolidated Statement of Operations as of December 15, 2010. Net revenues and net loss resulting from Rail Technologies that were included in the Company's operating results were \$4,556,000 and \$(212,000), respectively, for the year ended December 31, 2010.

The unaudited pro forma results for the periods presented below are prepared as if the transaction occurred as of January 1, 2010. Pro forma adjustments exclude operating results of the divested rail joint business, and include depreciation and amortization and other adjustments in connection with the acquisition.

	For the Year Ended December 31, 2010
	In thousands, except per share amounts
Total net sales	\$ 564,028
Earnings before income taxes	\$ 32,557
Net income	\$ 21,817
Basic earnings per share	\$ 2.13
Dilutive earnings per share	\$ 2.11

The pro forma results in the above table have not been reclassified to conform to the presentation of discontinued operations in the current year period. In connection with ASC 805-10-25, the Company remeasured its

previously held equity interest in Rail Technologies at the acquisition date fair value and recognized a gain of \$1,364,000 on December 15, 2010. Acquisition costs of approximately \$2,413,000 for the period ended December 31, 2010 were classified as “Selling and Administrative Expenses.”

Interlocking Deck Systems International, LLC

On March 23, 2010, the Company purchased, pursuant to an Asset Purchase Agreement (Purchase Agreement), certain assets of Interlocking Deck Systems International, LLC (IDSI) for \$7,000,000. The purchase price was \$5,050,000 in cash paid on the closing date and \$1,000,000 paid on the first anniversary of the closing, as defined in the Purchase Agreement, and \$950,000 payable on the second anniversary of the closing, with the deferred payment obligations being embodied in a promissory note. No liabilities were assumed in this acquisition. The pro forma results for this acquisition were not material to the Company’s financial results.

Note 4.

Discontinued Operations

On June 4, 2012, the Company sold substantially all of the assets and liabilities of its railway securement business, Shipping Systems Division (SSD), for \$8,579,000 to Holland, L.P., resulting in a pre-tax gain of approximately \$3,508,000.

On August 30, 2012, the Company sold substantially all of the assets and liabilities of its precise structural products business, Precise, for \$2,643,000 to Cianbro Fabrication and Coating Corporation, resulting in a pre-tax loss of approximately \$315,000.

The operations of these divisions qualify as a “component of an entity” under FASB ASC 205-20, “Presentation of Financial Statements — Discontinued Operations” and thus, the operations have been reclassified as discontinued and prior periods have been reclassified to conform to this presentation. Future expenses of discontinued operations are not expected to be material. SSD and Precise were previously reported in the Rail Products and Construction Products segment, respectively.

Net sales and income, including the pre-tax gain of \$3,193,000, from discontinued operations were as follows for the years ended December 31:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
	<u>Dollars in thousands</u>		
Net sales	\$8,705	\$15,589	\$7,992
Income from discontinued operations	\$3,842	\$ 1,287	\$ 778
Income tax expense	2,418	459	292
Income from discontinued operations	\$1,424	\$ 828	\$ 486
Effective income tax rate	63.0%	35.7%	37.5%

Goodwill of \$2,588,000 allocated to SSD for discontinued operations was not deductible for income tax purposes.

The following table details balance sheet information for discontinued operations at December 31:

	2012	2011
	In thousands	
Current Assets	\$464	\$4,864
Other Assets		
Property, plant and equipment-net	—	2,281
Goodwill	—	2,588
Other intangibles — net	—	177
Total Other Assets	—	5,046
Total Assets	464	9,910
Current Liabilities	106	1,294
Net assets of discontinued operations	<u>\$358</u>	<u>\$8,616</u>

Note 5.

Goodwill and Other Intangible Assets

On June 4, 2012, the Company divested \$2,588,000 in goodwill attributed to the Rail Products segment in connection with the sale of its railway securement business. Intangible assets with net carrying value of \$170,000 were also included with this sale. These intangible assets had a net carrying value of \$177,000 at December 31, 2011. More information regarding this sale can be found in Note 4.

Excluding amounts attributed to discontinued operations, the carrying amount of goodwill at December 31, 2012 and 2011 was \$41,237,000, of which \$38,026,000 is attributable to the Company's Rail Products segment and \$3,211,000 is attributable to the Construction Products segment.

Excluding amounts attributed to discontinued operations, identified intangible assets of \$2,305,000 are attributable to the Company's Construction Products segment and \$44,506,000 are attributable to the Company's Rail Products segment at December 31, 2012. The components of the Company's intangible assets are as follows:

	December 31, 2012			Net Carrying Amount
	Weighted Average Amortization Period In Years	Gross Carrying Value	Accumulated Amortization	
		In thousands		
Non-compete agreements	5	\$ 380	\$ (367)	\$ 13
Patents	10	815	(412)	403
Customer relationships	23	19,960	(2,488)	17,472
Supplier relationships	5	350	(143)	207
Trademarks	17	6,280	(879)	5,401
Technology	18	19,026	(2,357)	16,669
	20	<u>\$46,811</u>	<u>\$ (6,646)</u>	<u>\$40,165</u>

	Weighted Average Amortization Period In Years	December 31, 2011		Net Carrying Amount
		Gross Carrying Value	Accumulated Amortization	
		In thousands		
Non-compete agreements	5	\$ 380	\$ (361)	\$ 19
Patents	10	556	(181)	375
Customer relationships	23	19,960	(1,402)	18,558
Supplier relationships	5	350	(73)	277
Trademarks	17	6,280	(447)	5,833
Technology	18	19,026	(1,217)	17,809
	20	<u>\$46,552</u>	<u>\$ (3,681)</u>	<u>\$42,871</u>

Intangible assets are amortized over their useful lives ranging from 5 to 25 years, with a total weighted average amortization period of approximately 20 years. Amortization expense from continuing operating activities for the years ended December 31, 2012, 2011 and 2010 was \$2,961,000, \$2,791,000, and \$443,000, respectively.

Estimated amortization expense from continuing operating activities for the years 2013 and thereafter is as follows:

	In thousands
2013	\$ 2,781
2014	2,781
2015	2,506
2016	2,412
2017	2,345
2018 and thereafter	27,340
	<u>\$ 40,165</u>

Note 6.

Accounts Receivable

Accounts receivable of continuing operating activities at December 31, 2012 and 2011 are summarized as follows:

	2012	2011
	In thousands	
Trade	\$59,308	\$66,287
Allowance for doubtful accounts	(899)	(1,725)
	<u>58,409</u>	64,562
Other	1,264	1,934
	<u>\$59,673</u>	<u>\$66,496</u>

Bad debt (recovery)/expense was (\$319,000), \$275,000 and \$274,000 in 2012, 2011 and 2010, respectively.

The Company's customers are principally in the Rail, Construction and Tubular segments of the economy. As of December 31, 2012 and 2011, trade receivables, net of allowance for doubtful accounts, from customers in these markets were as follows:

	<u>2012</u>	<u>2011</u>
	In thousands	
Rail	\$ 34,886	\$ 31,800
Construction	18,677	29,430
Tubular	4,846	3,332
	<u>\$ 58,409</u>	<u>\$ 64,562</u>

Credit is extended based upon an evaluation of the customer's financial condition and while collateral is not required, the Company often receives surety bonds that guarantee payment. Credit terms are consistent with industry standards and practices.

Note 7.

Inventory

Inventories of continuing operating activities of the Company at December 31, 2012 and 2011 are summarized in the following table:

	<u>2012</u>	<u>2011</u>
	In thousands	
Finished goods	\$ 78,715	\$ 71,758
Work-in-process	17,693	8,004
Raw materials	19,764	19,885
Total inventories at current costs	116,172	99,647
Less: LIFO reserve	(9,064)	(10,183)
	<u>\$ 107,108</u>	<u>\$ 89,464</u>

At December 31, 2012 and 2011, the LIFO carrying value of inventories for book purposes exceeded the LIFO value for tax purposes by approximately \$11,686,000 and \$14,636,000, respectively. During 2012, liquidation of certain LIFO inventory layers carried at costs which were higher than the costs of current purchases. The effect of these reductions in 2012 was to increase cost of goods sold by \$15,000. During 2011, liquidation of LIFO layers carried at costs that were lower than current purchases resulted in a decrease to cost of goods sold of \$33,000. During 2010, liquidation of LIFO layers carried at costs that were higher than current purchases resulted in an increase to cost of goods sold of \$1,046,000.

Note 8.**Property, Plant and Equipment**

Property, plant and equipment of continuing operating activities at December 31, 2012 and 2011 consist of the following:

	2012	2011
	In thousands	
Land	\$ 4,764	\$ 4,760
Improvements to land and leaseholds	23,187	22,570
Buildings	13,715	10,748
Machinery and equipment, including equipment under capitalized leases	80,120	81,933
Construction in progress	1,783	4,285
	<u>123,569</u>	<u>124,296</u>
Less accumulated depreciation and amortization, including accumulated amortization of capitalized leases	<u>81,236</u>	<u>78,459</u>
	<u>\$ 42,333</u>	<u>\$ 45,837</u>

Depreciation expense, including amortization of assets under capital leases, for the years ended December 31, 2012, 2011 and 2010 amounted to \$9,979,000, \$9,182,000, and \$8,441,000, respectively.

Note 9.**Investments**

Investments of the Company consist of a nonconsolidated equity method investment of \$4,332,000 and \$3,495,000 at December 31, 2012 and 2011, respectively.

The Company is a member of a joint venture with L B Industries, Inc. and James Legg until June 30, 2019. The Company and L B Industries, Inc. each have a 45% ownership interest in the joint venture, L B Pipe & Coupling Products, LLC (JV). The JV manufactures, markets and sells various precision coupling products for the energy, utility and construction markets. Under the terms of the JV agreement, as amended, the Company was required to make capital contributions totaling approximately \$3,000,000. The Company fulfilled these commitments during 2011. The other JV members are required to make proportionate contributions in accordance with the ownership percentages in the JV agreement.

Under applicable guidance for variable interest entities in ASC 810, "Consolidation," the Company determined that the JV is a variable interest entity, as the JV has not demonstrated that it has sufficient equity to support its operations without additional financial support. The Company concluded that it is not the primary beneficiary of the variable interest entity, as the Company does not have a controlling financial interest and does not have the power to direct the activities that most significantly impact the economic performance of the JV. Accordingly, the Company concluded that the equity method of accounting remains appropriate.

The Company recorded equity in the income of the JV of approximately \$837,000 and \$707,000 for the years ended December 31, 2012 and 2011, respectively. The Company recorded equity in the losses of the JV of approximately \$(213,000) for 2010.

The Company's exposure to loss results from its capital contributions, net of the Company's share of the JV's income or loss, and its net investment in the direct financing lease covering the facility used by the JV for its operations. The carrying amounts with the maximum exposure to loss of the Company at December 31, 2012 and December 31, 2011, respectively, are as follows:

	<u>2012</u>	<u>2011</u>
	<u>In thousands</u>	
Equity method investment	\$4,332	\$3,495
Net investment in direct financing lease	1,327	971
	<u>\$5,659</u>	<u>\$4,466</u>

The Company is leasing five acres of land and two facilities in Magnolia, TX to the JV over a period of 9.5 years, with a 5.5 year renewal period. Monthly rent over the term of the lease is approximately \$10,000, with a balloon payment of approximately \$488,000 which is required to be paid either at the termination of the lease, allocated over the renewal period or during the initial term of the lease. This lease qualifies as a direct financing lease under the applicable guidance in ASC 840-30, "Leases."

In November 2012, the Company executed the first amendment to the lease with the JV. The Company built a second facility and leased it to the JV. The first amendment added approximately \$7,000 to the monthly rent, bringing the amended monthly rent to approximately \$17,000 per month. The first amendment to the lease did not change the remaining terms of the lease.

The Company maintained a net investment in this direct financing lease of approximately \$1,327,000 and \$971,000 at December 31, 2012 and 2011, respectively.

The following is a schedule of the direct financing minimum lease payments for the years 2013 and thereafter

	<u>In thousands</u>
2013	\$ 106
2014	114
2015	122
2016	131
2017	140
2018 and thereafter	714
	<u>\$ 1,327</u>

Note 10.

Deferred Revenue

Deferred revenue consists of customer payments received for which the revenue recognition criteria have not yet been met. The Company has significantly fulfilled its obligations under the contracts and the customers have paid, but due to the Company's continuing involvement with the material, revenue is precluded from being recognized until the customer takes possession.

Note 11.

Borrowings

United States

On May 2, 2011, the Company, its domestic subsidiaries, and certain of its Canadian subsidiaries entered into a new \$125,000,000 Revolving Credit Facility Credit Agreement (Credit Agreement) with PNC Bank, N.A., Bank of America, N.A., Wells Fargo Bank, N.A. and Citizens Bank of Pennsylvania. This Credit Agreement replaced a prior revolving credit facility with a maximum credit line of \$90,000,000 and a \$20,000,000 term

loan. The Credit Agreement provides for a five-year, unsecured revolving credit facility that permits borrowing up to \$125,000,000 for the U.S. borrowers and a sublimit of the equivalent of \$15,000,000 U.S. dollars that is available to the Canadian borrowers. Provided no event of default exists, the Credit Agreement contains a provision that provides for an increase in the revolver facility of \$50,000,000 that can be allocated to existing or new lenders if the Company's borrowing requirements should increase. The Credit Agreement includes a sublimit of \$20,000,000 for the issuance of trade and standby letters of credit.

Borrowings under the Credit Agreement will bear interest at rates based upon either the base rate or LIBOR-based rate plus applicable margins. Applicable margins are dictated by the ratio of the Company's indebtedness less cash on hand to the Company's consolidated EBITDA, as defined in the underlying Credit Agreement. The base rate is the highest of (a) PNC Bank's prime rate, (b) the Federal Funds Rate plus 0.50% or (c) the daily LIBOR rate, as defined in the underlying Credit Agreement, plus 1.00%. The base rate spread ranges from 0.00% to 1.00%. LIBOR-based rates are determined by dividing the published LIBOR rate by a number equal to 1.00 minus the percentage prescribed by the Federal Reserve for determining the maximum reserve requirements with respect to any Eurocurrency funding by banks on such day. The LIBOR-based rate spread ranges from 1.00% to 2.00%.

The Credit Agreement includes two financial covenants: (a) the Leverage Ratio, defined as the Company's Indebtedness less cash on hand divided by the Company's consolidated EBITDA, which must not exceed 3.00 to 1.00 and (b) Minimum Interest Coverage, defined as consolidated EBITDA less Capital Expenditures divided by consolidated interest expense, which must be no less than 3.00 to 1.00.

The Credit Agreement permits the Company to pay dividends and distributions and make redemptions with respect to its stock provided no event of default or potential default (as defined in the Credit Agreement) has occurred prior to or after giving effect to the dividend, distribution, or redemption. Dividends, distributions, and redemptions are capped at \$15,000,000 per year when funds are drawn on the facility. If no drawings on the facility exist, dividends, distributions, and redemptions in excess of \$15,000,000 per year are subjected to a limitation of \$75,000,000 in aggregate. The \$75,000,000 aggregate limitation also includes certain loans, investments, and acquisitions. The Company is permitted to acquire the stock or assets of other entities with limited restrictions provided that the Leverage Ratio does not exceed 2.50 to 1.00 after giving effect to the acquisition.

Other restrictions exist at all times including, but not limited to, limitation of the Company's sale of assets, other indebtedness incurred by either the borrowers or the non-borrower subsidiaries of the Company, guaranties, and liens. On July 9, 2012, the Company amended the Credit Agreement to increase the limitation of the Company's sale of assets from \$10,000,000 to \$25,000,000.

As of December 31, 2012, the Company was in compliance with the Credit Agreement's covenants.

The Company had no outstanding borrowings under the revolving credit facility at December 31, 2012 or 2011 and had available borrowing capacity of \$123,829,000 at December 31, 2012.

Letters of Credit

At December 31, 2012, the Company had outstanding letters of credit of approximately \$1,171,000.

United Kingdom

A subsidiary of the Company has a working capital facility with NatWest Bank for its United Kingdom operations which includes an overdraft availability of £1,500,000 pounds sterling (approximately \$2,437,000 at December 31, 2012). This credit facility supports the subsidiary's working capital requirements and is collateralized by substantially all of the assets of its United Kingdom operations. The interest rate on this facility is the financial institution's base rate plus 1.50%. Outstanding performance bonds reduce availability under this credit facility. The subsidiary of the Company had no outstanding borrowings under this credit facility as of December 31, 2012. There was approximately \$61,000 in outstanding guaranties (as defined in the underlying agreement) at December 31, 2012. There were no borrowings or performance bonds outstanding on this facility as of December 31, 2011. This credit facility was renewed effective August 30, 2012 with no significant changes

to the underlying terms or conditions in the facility. The expiration date of this credit facility is August 30, 2013. It is the Company's intention to renew this credit facility with NatWest Bank during the annual review over the credit facility in 2013.

The United Kingdom loan agreements contain certain financial covenants that require that subsidiary to maintain senior interest and cash flow coverage ratios. The subsidiary was in compliance with these financial covenants as of December 31, 2012. The subsidiary had available borrowing capacity of \$2,376,000 at December 31, 2012.

Note 12.

Long-Term Debt and Related Matters

Long-term debt at December 31, 2012 and 2011 consists of the following:

	<u>2012</u>	<u>2011</u>
	<u>In thousands</u>	
Lease obligations payable in installments through 2015 with a weighted average interest rate of 5.37% at December 31, 2012 and 7.10% at December 31, 2011	\$62	\$1,490
Promissory notes issued in connection with the acquisition of IDSI with imputed interest rates of 2.10%	—	945
	<u>62</u>	<u>2,435</u>
Less current maturities	<u>35</u>	<u>2,384</u>
	<u>\$27</u>	<u>\$ 51</u>

The maturities of long-term debt for each of the succeeding three years subsequent to December 31, 2012 are as follows:

	<u>In thousands</u>
2013	\$ 35
2014	22
2015	5
	<u>\$ 62</u>

Note 13.

Stockholders' Equity

The Company had authorized shares of 20,000,000 in Common stock with 11,115,779 shares issued at December 31, 2012 and 2011. The Common stock has a par value of \$.01 per share and the current dividend as authorized by the Company's Board of Directors is \$0.10 per year or \$0.025 per quarter. In February 2013, the Company's Board of Directors authorized an increase to the regular quarterly dividend to \$0.03 from \$0.025.

At December 31, 2012 and 2011, the Company had authorized shares of 5,000,000 in Preferred stock. No Preferred stock has been issued. No par value has been assigned to the Preferred stock.

The Company's Board of Directors authorized the purchase of up to \$25,000,000 in shares of its Common stock through a share repurchase program announced in May 2011 at prevailing market prices or privately negotiated transactions. There were no such repurchases of common stock under this program during 2012. During 2011 the Company purchased 278,655 shares of common stock for approximately \$6,480,000. This authorization expires on December 31, 2013.

The Company's Board of Directors authorized the purchase of up to \$40,000,000 in shares of its Common stock through share repurchase programs announced in 2008 at prevailing market prices or privately negotiated transactions. There were no such repurchases of common stock under these programs during 2010. The authorization expired on December 31, 2010.

Cash dividends of approximately \$1,029,000 and \$1,022,000 were paid in 2012 and 2011, respectively. No cash dividends on Common stock were paid in 2010.

Share Activity	Common Stock	
	Treasury	Outstanding
	Number of Shares	
Balance at end of 2009	927,423	10,163,964
Issued for stock-based compensation plans	(113,174)	113,174
Balance at end of 2010	814,249	10,277,138
Purchased through share repurchase program	278,655	(278,655)
Issued for stock-based compensation plans	(50,528)	74,920
Balance at end of 2011	1,042,376	10,073,403
Issued for stock-based compensation plans	(75,995)	75,995
Balance at end of 2012	966,381	10,149,398

Note 14.

Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss, net of tax, for the years ended December 31, 2012 and 2011, are as follows:

	2012	2011
	In thousands	
Pension liability adjustment	\$(4,204)	\$(3,439)
Foreign currency translation adjustments	535	(1,189)
	\$(3,669)	\$(4,628)

Foreign currency translation adjustments are generally not adjusted for income taxes as they relate to indefinite investments in non U.S. subsidiaries.

Note 15.**Earnings Per Common Share**

The following table sets forth the computation of basic and diluted earnings per common share for the three years ended December 31:

	2012	2011	2010
	In thousands, except per share amounts		
Numerator for basic and diluted earnings per common share —			
Income available to common stockholders:			
Income from continuing operations	\$ 14,764	\$ 22,067	\$ 20,006
Income from discontinued operations	1,424	828	486
Net income	<u>\$ 16,188</u>	<u>\$ 22,895</u>	<u>\$ 20,492</u>
Denominator:			
Weighted average shares	10,124	10,209	10,219
Denominator for basic earnings per common share	10,124	10,209	10,219
Effect of dilutive securities:			
Employee stock options	16	29	67
Other stock compensation plans	94	74	62
Dilutive potential common shares	110	103	129
Denominator for diluted earnings per common share — adjusted weighted average shares and assumed conversions	<u>10,234</u>	<u>10,312</u>	<u>10,348</u>
Basic earnings per share:			
Continuing operations	\$ 1.46	\$ 2.16	\$ 1.96
Discontinued operations	0.14	0.08	0.05
Basic earnings per common share	<u>\$ 1.60</u>	<u>\$ 2.24</u>	<u>\$ 2.01</u>
Diluted earnings per share:			
Continuing operations	\$ 1.44	\$ 2.14	\$ 1.93
Discontinued operations	0.14	0.08	0.05
Diluted earnings per common share	<u>\$ 1.58</u>	<u>\$ 2.22</u>	<u>\$ 1.98</u>
Dividends paid per common share	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ —</u>

There were no antidilutive shares in 2012, 2011 and 2010.

Note 16.**Income Taxes**

Significant components of the Company's deferred tax liabilities and assets as of December 31, 2012 and 2011 are as follows:

	2012	2011
	In thousands	
Deferred tax liabilities:		
Goodwill and other intangibles	\$(12,057)	\$(12,884)
Depreciation	(2,745)	(3,499)
Inventories	(3,433)	(4,333)
Unrepatriated earnings of foreign subsidiary	—	(428)
Other-net	(223)	(174)
Total deferred tax liabilities	<u>(18,458)</u>	<u>(21,318)</u>
Deferred tax assets:		
Pension liability	2,787	3,210
Warranty reserve	5,752	2,058
Deferred compensation	1,161	1,601
Accounts receivable	358	924
Contingent liabilities	657	675
Deferred gain on sale / leaseback	—	178
State tax incentives	17	5
Net operating loss carryforwards	59	88
Foreign tax credit carryforwards	112	112
Total deferred tax assets	<u>10,903</u>	<u>8,851</u>
Net deferred tax liability	<u>\$ (7,555)</u>	<u>\$ (12,467)</u>

Significant components of the provision for income taxes are as follows:

	2012	2011	2010
	In thousands		
Current:			
Federal	\$ 9,742	\$ 4,123	\$10,023
State	1,977	485	775
Foreign	1,910	2,493	30
Total current	<u>13,629</u>	<u>7,101</u>	<u>10,828</u>
Deferred:			
Federal	(3,966)	3,446	1,204
State	(155)	553	111
Foreign	(442)	(515)	(185)
Total deferred	<u>(4,563)</u>	<u>3,484</u>	<u>1,130</u>
Total income tax expense from continuing operating activities	<u>\$ 9,066</u>	<u>\$10,585</u>	<u>\$11,958</u>

The Company has unrecorded deferred income taxes on the undistributed earnings of its foreign subsidiaries. It is management's intent and practice to indefinitely reinvest such earnings outside of the U.S. to support the continuing operations of its foreign subsidiaries. As a result of the liquidity and financial strength of the Company's domestic operations, the Company does not currently anticipate a scenario where repatriation of

these earnings would occur. At December 31, 2012, the aggregate undistributed earnings of the foreign subsidiaries (including cumulative unrealized currency gains related to previously taxed income) amounted to approximately \$43,304,000. Upon distribution of these earnings in the form of dividends or otherwise, the Company may be subject to U.S. income taxes and foreign withholding taxes. It is not practical, however, to estimate the amount of taxes that may be payable on the eventual remittance of these earnings because of the complexity of the calculation.

Income before income taxes, as shown in the accompanying consolidated statements of operations, includes the following components:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
	In thousands		
Domestic	\$ 16,600	\$ 23,433	\$ 32,067
Foreign	7,230	9,219	(103)
Income from continuing operations, before income taxes	<u>\$ 23,830</u>	<u>\$ 32,652</u>	<u>\$ 31,964</u>

The reconciliation of income tax computed at statutory rates to income tax expense is as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Statutory rate	35.0%	35.0%	35.0%
Effect of foreign tax	(3.0)	(2.3)	—
State income tax	4.5	2.2	2.2
Nondeductible expenses	1.4	0.7	0.2
Tax credits	(2.2)	(2.0)	—
Other	2.3	(1.1)	—
	<u>38.0%</u>	<u>32.5%</u>	<u>37.4%</u>

At December 31, 2012 and 2011, the tax benefit of net operating loss carryforwards available for state income tax purposes was approximately \$59,000 and \$88,000, respectively. The net operating loss carryforwards will expire in 2017 through 2024. The Company has foreign tax credit carryforwards in the amount of \$112,000 that will expire in 2014 through 2016. The Company anticipates utilizing these credit carryforwards prior to their expiration and, therefore, has not provided a valuation allowance for these amounts. The Company received approximately \$903,000 in state tax refunds in 2011 not previously recognized by the Company as realization was not more likely than not.

The following table provides a reconciliation of unrecognized tax benefits as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
	In thousands	
Unrecognized tax benefits at beginning of period:	\$ 1,849	\$ 645
Increases based on tax positions for prior periods	220	1,401
Increases based on tax positions related to current period	—	34
Decreases related to settlements with taxing authorities	—	(139)
Decreases as a result of a lapse of the applicable statute of limitations	(24)	(92)
Balance at end of period	<u>\$ 2,045</u>	<u>\$ 1,849</u>

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is \$2,045,000 at December 31, 2012. The Company accrues interest and penalties related to unrecognized tax benefits in its provision for income taxes. At December 31, 2012, the Company had accrued interest and penalties related to unrecognized tax benefits of \$320,000.

The Company files income tax returns in the United States and in various state, local and foreign jurisdictions. The Company is subject to federal income tax examinations for the period 2009 forward. With respect to the state, local and foreign filings, the Company is generally subject to income tax examinations for the periods 2008 forward.

Note 17.**Stock-based Compensation**

The Company applies the provisions of FASB ASC 718, "Compensation – Stock Compensation," to account for the Company's share-based compensation. Share-based compensation cost is measured at the grant date based on the calculated fair value of the award and is recognized over the employees' requisite service period. The Company recorded stock compensation expense of \$1,989,000, \$1,958,000 and \$1,944,000 for the periods ended 2012, 2011 and 2010, respectively, related to fully-vested stock awards, restricted stock awards and performance unit awards as follows.

Stock Option Awards

The Company has three equity compensation plans: The 1985 Long-Term Incentive Plan (1985 Plan), the 1998 Long-Term Incentive Plan for Officers and Directors, amended and restated in May 2011, (1998 Plan) and the 2006 Omnibus Incentive Plan, amended and restated in May 2011 (Omnibus Plan). The 1985 Plan expired on January 1, 2005. Although no further awards can be made under the 1985 Plan, prior awards are not affected by the termination of the Plan.

The 1998 Plan provides for the award of options to key employees and directors to purchase up to 900,000 shares of Common stock at no less than 100% of fair market value on the date of the grant. The 1998 Plan provides for the granting of "nonqualified options" and "incentive stock options" with a duration of not more than ten years from the date of grant. The 1998 Plan also provides that, unless otherwise set forth in the option agreement, options are exercisable in installments of up to 25% annually beginning one year from date of grant. Non-employee directors were automatically awarded fully vested, nonqualified stock options to acquire 5,000 shares of the Company's Common stock on each date the outside directors were elected at an annual shareholders' meeting to serve as directors. The 1998 Plan was amended in May 2006 to remove the automatic awarding of options to outside directors.

The Omnibus Plan allows for the issuance of 900,000 shares of Common stock through the granting of stock options or stock awards (including performance units convertible into stock) to key employees and directors at no less than 100% of fair market value on the date of the grant. The Omnibus Plan provides for the granting of "nonqualified options" with a duration of not more than ten years from the date of grant. The Omnibus Plan also provides that, unless otherwise set forth in the option agreement, options are exercisable in installments of up to 25% annually beginning one year from the date of grant. No options have been granted under the Omnibus Plan and, as such, there was no stock compensation expense related to stock options recorded in 2012, 2011 or 2010.

Certain information for the three years ended December 31, 2012 relative to employee stock options is summarized as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Number of shares under the plans:			
Outstanding and exercisable at beginning of year	39,950	80,950	180,950
Granted	—	—	—
Canceled	—	—	—
Exercised	<u>(17,450)</u>	<u>(41,000)</u>	<u>(100,000)</u>
Outstanding and exercisable at end of year	<u>22,500</u>	<u>39,950</u>	<u>80,950</u>
Number of shares available for future grant:			
Beginning of year	<u>315,840</u>	<u>391,881</u>	<u>443,566</u>
End of year	<u>561,655</u>	<u>315,840</u>	<u>391,881</u>

The total intrinsic value of options outstanding and exercisable at December 31, 2012 was \$743,000, \$773,000 and \$2,751,000, respectively.

At December 31, 2012, options outstanding and exercisable under the Company's equity plans had option prices ranging from \$7.81 to \$14.77, with a weighted average exercise price of \$10.41. At December 31, 2011, options outstanding and exercisable under the Company's equity plans had option prices ranging from \$4.23 to \$14.77, with a weighted average exercise price of \$8.94 per share. At December 31, 2010, options outstanding and exercisable under the Company's equity plans had option prices ranging from \$2.75 to \$14.77, with a weighted average price of \$6.95.

The weighted average remaining contractual life of the stock options outstanding at December 31, 2012, 2011 and 2010 were 2.2, 2.8 and 2.7 years, respectively.

The weighted average exercise price per share of the options exercised in 2012, 2011 and 2010 were \$7.03, \$5.02 and \$4.51, respectively. The total intrinsic value of options exercised during the years ended December 31, 2012, 2011 and 2010 were \$457,000, \$1,112,000 and \$2,483,000, respectively.

Certain information for the year ended December 31, 2012 relative to stock options at respective exercise price ranges is summarized as follows:

<u>Range of Exercise Prices</u>	<u>Options Outstanding and Exercisable</u>		
	<u>Number of Shares</u>	<u>Weighted Average Remaining Life</u>	<u>Weighted Exercise Price</u>
\$7.81 - \$8.97	10,000	1.9	\$ 8.39
\$9.29 - \$14.77	12,500	2.5	12.03
	<u>22,500</u>	2.2	\$ 10.41

Shares issued as a result of stock option exercise generally will be from previously issued shares which have been reacquired by the Company and held as Treasury shares.

Fully-Vested Stock Awards

Non-employee directors are automatically awarded 3,500 fully vested shares, or a lesser amount determined by the directors, of the Company's Common stock on each date the non-employee directors are elected at an annual shareholders' meeting to serve as directors.

The non-employee directors were granted a total of 12,000, 10,500 and 12,000 fully-vested shares for the years ended December 31, 2012, 2011 and 2010, respectively. Compensation expense recorded by the Company related to fully-vested stock awards to non-employee directors was approximately \$337,000, \$370,000 and \$340,000 for the years ended December 31, 2012, 2011 and 2010, respectively.

In addition to the 12,000 shares of fully-vested stock granted to the non-employee directors in 2010, the Company granted, pursuant to the Omnibus Plan approximately 2,000 fully-vested shares to key employees. The grant date fair value of these fully-vested stock grants was \$34.73. The weighted average fair value of all the fully-vested stock grants awarded was \$28.05, \$35.24 and \$29.10 per share for 2012, 2011 and 2010, respectively.

Restricted Stock Awards

The Restricted Stock Awards granted under the Omnibus Plan generally have vesting requirements that are determined by the underlying Restricted Stock Agreement. These forfeitable Restricted Stock Awards time-vest after a four year holding period, unless indicated otherwise by the underlying Restricted Stock Agreement. Shares issued as a result of Restricted Stock Awards generally are previously issued shares which have been reacquired by the Company and held as Treasury shares or authorized but previously unissued common stock.

For the periods ended December 31, 2012, 2011 and 2010, the Company granted approximately 43,000, 46,000 and 40,000 shares, respectively, of restricted stock under the Omnibus Plan. During 2012, the Company also granted approximately 66,000 shares of restricted stock to an employee director. A summary of restricted stock award activity follows:

<u>Grant Date</u>	<u>Shares</u>	<u>Grant Date Fair Value</u>	<u>Aggregate Fair Value</u>	<u>Vesting Date</u>
March 3, 2010	12,185	\$ 31.92	\$ 389,000	March 3, 2014
May 28, 2010	2,500	28.07	70,000	February 28, 2012
May 28, 2010	17,500	28.07	491,000	May 28, 2014
October 21, 2010	7,500	31.04	233,000	October 21, 2014
March 15, 2011	24,836	38.46	955,000	March 15, 2015
July 21, 2011	16,600	38.44	638,000	July 21, 2015
August 29, 2011	5,000	24.50	123,000	August 29, 2014
February 1, 2012	66,000	30.15	1,990,000	February 1, 2016
March 6, 2012	18,347	27.49	504,000	March 6, 2016
May 23, 2012	8,000	28.05	224,000	May 23, 2016
December 11, 2012	16,330	41.98	686,000	December 12, 2015

These forfeitable Restricted Stock Awards time-vest after a four-year period, unless indicated otherwise by the underlying Restricted Stock Agreement. Certain awards of restricted stock included in the above table provide for partial vesting over a period up to the vesting date listed. Shares issued as a result of Restricted Stock Awards generally are previously issued shares which have been reacquired by the Company and held as Treasury shares or authorized but previously unissued common stock.

Performance Unit Awards

Annually, under separate three-year long-term incentive plans, pursuant to the Omnibus Plan, the Company grants performance units. Performance units granted during the periods ended December 31, 2012, 2011 and 2010 are as follows:

<u>Incentive Plan</u>	<u>Grant Date</u>	<u>Units</u>	<u>Grant Date Fair Value</u>	<u>Aggregate Fair Value</u>	<u>Vesting Date</u>
2010 - 2012	March 2, 2010	36,541	\$ 31.83	\$ 1,163,000	March 2, 2013
2011 - 2013	March 15, 2011	34,002	38.46	1,308,000	March 15, 2014
2012 - 2014	March 6, 2012	43,042	27.49	1,183,000	March 6, 2015

In addition, on March 15, 2011 the Company awarded, pursuant to the Omnibus Plan, 1,500 special performance units to a former employee director and 1,000 special performance units to an executive officer. Based on the satisfaction of the underlying performance conditions, these special performance units were converted, net of shares withheld for applicable income tax purposes, into 1,436 and 957 shares, respectively, of the Company's common stock on March 6, 2012. The grant date fair value of these awards was \$38.46 and the aggregate fair value was \$58,000 and \$38,000, respectively.

Performance units are subject to forfeiture and will be converted into common stock of the Company based upon the Company's performance relative to performance measures and conversion multiples as defined in the underlying plan. The aggregate fair value in the above table is based upon achieving 100% of the performance targets as defined in the underlying plan. During 2012, the Company reversed \$807,000 of incentive compensation recognized in prior years under its separate three-year long-term incentive plans caused by the impact of the product warranty charge on Company performance, as it related to the awards' underlying performance conditions. More information on the product warranty charge can be found in Note 21, Commitments and Contingent Liabilities.

The number of shares awarded under the respective three year long-term incentive plans was determined using an average grant date fair value over a ten day period as follows:

<u>Incentive Plan</u>	<u>Average Grant date Fair Value</u>	<u>Ten Day Period</u>
2010 - 2012	\$ 29.39	February 2010
2011 - 2013	40.25	February 2011
2012 - 2014	31.60	February 2012

Excluding the fully-vested stock awards granted to non-employee directors, the Company recorded compensation expense of \$1,652,000, \$1,588,000 and \$1,604,000, respectively, for the periods ended December 31, 2012, 2011 and 2010 related to restricted stock and performance unit awards.

The Company issued, pursuant to the Omnibus Plan, approximately 34,000 fully-vested shares during 2012 which were earned under the 2009 – 2011 three year long-term incentive plan. This non-cash transaction of \$1,130,000 was reflected as a decrease to Treasury Stock in the Consolidated Balance Sheet at December 31, 2012. During 2011 the Company issued, pursuant to the Omnibus Plan, approximately 20,000 fully-vested shares which were earned under the 2008 – 2010 three year long-term incentive plan. This non-cash transaction of \$670,000 was reflected as a decrease to Treasury Stock in the Consolidated Balance Sheet at December 31, 2011.

Shares issued as a result of performance unit awards generally are previously issued shares which have been reacquired by the Company and held as Treasury shares or authorized but previously unissued common stock.

The excess tax benefit realized for the tax deduction from stock-based compensation approximated \$199,000, \$425,000 and \$961,000 for the years ended December 31, 2012, 2011 and 2010, respectively. This excess tax benefit is included in cash flows from financing activities in the Condensed Consolidated Statements of Cash Flows.

Note 18.

Retirement Plans

The Company has five retirement plans which cover its hourly and salaried employees in the United States: three defined benefit plans (one active / two frozen) and two defined contribution plans. Employees are eligible to participate in the appropriate plan based on employment classification. The Company's funding to the defined benefit and defined contribution plans are governed by the Employee Retirement Income Security Act of 1974 (ERISA), applicable plan policy and investment guidelines. The Company policy is to contribute at least the minimum in accordance with the funding standards of ERISA.

The Company's subsidiary, L.B. Foster Rail Technologies (Rail Technologies), maintains two defined contribution plans for its employees in Canada, as well as a post-retirement benefit plan. In the United Kingdom, Rail Technologies maintains both a defined contribution plan and a defined benefit plan. These plans are discussed in further detail below.

United States Defined Benefit Plans

The following tables present a reconciliation of the changes in the benefit obligation, the fair market value of the assets and the funded status of the plans:

	2012	2011
	In thousands	
Changes in benefit obligation:		
Benefit obligation at beginning of year	\$16,986	\$14,955
Service cost	31	30
Interest cost	748	799
Actuarial losses	980	1,896
Benefits paid	(711)	(694)
Benefit obligation at end of year	<u>\$18,034</u>	<u>\$16,986</u>
Change to plan assets:		
Fair value of assets at beginning of year	\$12,088	\$11,433
Actual gain on plan assets	1,127	266
Employer contribution	758	1,083
Benefits paid	(711)	(694)
Fair value of assets at end of year	<u>13,262</u>	<u>12,088</u>
Funded status at end of year	<u>\$ (4,772)</u>	<u>\$ (4,898)</u>
Amounts recognized in the consolidated balance sheet consist of:		
Other long-term liabilities	<u>\$ (4,772)</u>	<u>\$ (4,898)</u>
Amounts recognized in accumulated other comprehensive income consist of:		
Net loss	\$ 4,675	\$ 4,206
Prior service cost	4	5
	<u>\$ 4,679</u>	<u>\$ 4,211</u>

The actuarial loss included in accumulated other comprehensive loss that will be recognized in net periodic pension cost during 2013 is \$212,000, before taxes.

Net periodic pension costs for the three years ended December 31, 2012 are as follows:

	2012	2011	2010
	In thousands		
Components of net periodic benefit cost:			
Service cost	\$ 31	\$ 30	\$ 31
Interest cost	748	799	264
Expected return on plan assets	(810)	(764)	(286)
Amortization of prior service cost	1	1	—
Recognized net actuarial loss	194	111	106
Net periodic benefit cost	<u>\$ 164</u>	<u>\$ 177</u>	<u>\$ 115</u>

The weighted average assumptions used to measure the projected benefit obligation for the years ended December 31, 2012 and 2011 are as follows:

	2012	2011
Discount rate	<u>4.0%</u>	<u>4.5%</u>

The weighted average assumptions used to determine net periodic benefit costs for the three years ended December 31, 2012:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Discount rate	<u>4.00%</u>	<u>5.48%</u>	<u>6.00%</u>
Expected rate of return on plan assets	<u>6.50%</u>	<u>6.70%</u>	<u>7.75%</u>

The expected long-term rate of return is based on numerous factors including the target asset allocation for plan assets, historical rate of return, long-term inflation assumptions, and current and projected market conditions. Different asset category compositions between the two defined benefit plans led to two different expected rates of return on plan assets in 2011.

Amounts applicable to the Company's pension plans with accumulated benefit obligations in excess of plan assets are as follows:

	<u>2012</u>	<u>2011</u>
	In thousands	
Projected benefit obligation	\$ 18,034	\$ 16,986
Accumulated benefit obligation	18,034	16,986
Fair value of plan assets	<u>13,262</u>	<u>12,088</u>

Plan assets consist primarily of various fixed income and equity investments. The Company's primary investment objective is to provide long-term growth of capital while accepting a moderate level of risk. The investments are limited to cash and equivalents, bonds, preferred stocks and common stocks. The investment target ranges and actual allocation of pension plan assets by major category at December 31, 2012 and 2011 are as follows:

Asset Category	<u>Target</u>	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	0 - 10%	7%	4%
Total fixed income funds	30 - 50	31	37
Total mutual funds / equities	50 - 70	62	59
Total		<u>100%</u>	<u>100%</u>

In accordance with the fair value disclosure requirements with FASB ASC 820, "Fair Value Measurements and Disclosures," the following assets were measured at fair value on a recurring basis at December 31, 2012 and 2011. Additional information regarding FASB ASC 820 and the fair value hierarchy can be found in Note 20, Fair Value Measurements.

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
	In thousands	
Asset Category		
Cash and cash equivalents	\$ 984	\$ 513
Fixed income funds		
Government bonds	—	1,342
Corporate bonds	4,168	3,146
Total fixed income funds	4,168	4,488
Equity funds and equities		
Mutual funds	7,163	678
Common stock	947	6,409
Total equity funds and equities	8,110	7,087
Total	<u>\$ 13,262</u>	<u>\$ 12,088</u>

Cash equivalents. The Company uses quoted market prices to determine the fair value of these investments in interest-bearing cash accounts and they are classified in Level 1 of the fair value hierarchy. The carrying amounts approximate fair value because of the short maturity of the instruments.

Fixed income funds. Investments within the fixed income funds category consist of fixed income corporate debt and U.S. government and various state agency obligations. The Company uses quoted market prices to determine the fair value of these fixed income funds. These instruments consist of exchange-traded government and corporate bonds and are classified in Level 1 of the fair value hierarchy.

Equity funds and equities. The valuation of investments in registered investment companies is based on the underlying investments in securities. Securities traded on security exchanges are valued at the latest quoted sales price. Securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and ask quotations. These investments are classified in Level 1 of the fair value hierarchy.

The Company expects to contribute approximately \$555,000 to its United States defined benefit plans in 2013.

The following benefit payments are expected to be paid:

	Pension Benefits
	In thousands
2013	\$ 743
2014	754
2015	766
2016	812
2017	886
Years 2018 — 2022	5,184

United Kingdom Defined Benefit Plans

During 2010, the Conveyors International Limited Pension Plan (Conveyors plan) was merged with the Portec Rail Products (UK) Limited Pension Plan (Portec Rail Plan) a defined benefit pension plan in the United Kingdom. The combined Portec Rail Plan covers some current employees, former employees and retirees of the original Portec Rail Plan along with former employees of the Conveyors plan. The Portec Rail Plan has been frozen to new entrants since April 1, 1997 and also covers the former employees of the Conveyors plan after January 2002. Benefits under the Portec Rail Plan, including the former Conveyors plan, were based on years of service and eligible compensation during defined periods of service. Our funding policy for the Portec Rail Plan is to make minimum annual contributions required by applicable regulations. Contributions of \$297,000 and \$235,000 were made to the plan on December 31, 2012 and 2011, respectively.

The funded status of the United Kingdom defined benefit plan at year end is as follows:

	<u>2012</u>	<u>2011</u>
	In thousands	
Changes in benefit obligation:		
Benefit obligation at beginning of year	\$ 6,964	\$ 6,229
Interest cost	338	331
Actuarial losses	652	544
Plan transfers	—	194
Benefits paid	(236)	(309)
Foreign currency exchange rate changes	316	(25)
Benefit obligation at end of year	<u>\$ 8,034</u>	<u>\$ 6,964</u>
Change to plan assets:		
Fair value of assets at beginning of year	\$ 5,160	\$ 5,293
Actual gain (loss) on plan assets	596	(233)
Employer contribution	297	235
Plan transfers	—	194
Benefits paid	(236)	(309)
Foreign currency exchange rate changes	234	(20)
Fair value of assets at end of year	<u>6,051</u>	<u>5,160</u>
Funded status at end of year	<u>\$ (1,983)</u>	<u>\$ (1,804)</u>
Amounts recognized in the consolidated balance sheet consist of:		
Other long-term liabilities	<u>\$ (1,983)</u>	<u>\$ (1,804)</u>

Net periodic pension costs for the three years ended December 31, 2012 are as follows:

	<u>2012</u>	<u>2011</u>
	In thousands	
Components of net periodic benefit cost:		
Interest cost	\$ 338	\$ 331
Expected return on plan assets	(307)	(337)
Amortization of transition obligation	(49)	(47)
Amortization of prior service cost	23	22
Recognized net actuarial gain	221	107
Net periodic benefit cost	<u>\$ 226</u>	<u>\$ 76</u>

The weighted average assumptions used to measure the benefit obligation for the years ended December 31 were as follows:

	<u>2012</u>	<u>2011</u>
Discount rate	4.3%	4.7%
Expected rate of return on plan assets	<u>5.2%</u>	<u>5.7%</u>

Amounts applicable to the Company's pension plans with accumulated benefit obligations in excess of plan assets are as follows:

	<u>2012</u>	<u>2011</u>
	In thousands	
Projected benefit obligation	\$8,034	\$6,964
Accumulated benefit obligation	8,034	6,964
Fair value of plan assets	<u>6,051</u>	<u>5,160</u>

The Company has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

Plan assets are invested by the trustees in accordance with a written statement of investment principles. This statement permits investment in equities, corporate bonds, United Kingdom government securities, commercial property and cash, based on certain target allocation percentages.

Asset allocation is primarily based on a strategy to provide steady growth without undue fluctuations. The target asset allocation percentages for 2012 are as follows:

	Portec Rail Plan
Equity securities	Up to 100%
Commercial property	Not to exceed 50%
U.K. Government securities	Not to exceed 50%
Cash	Up to 100%

Substantially all plan assets held within the Portec Rail Plan consists of marketable securities and are classified in Level 1 of the fair value hierarchy.

The plan assets by category for the years ended December 31, are as follows:

	December 31,	
	<u>2012</u>	<u>2011</u>
	In thousands	
Asset Category		
Cash and cash equivalents	\$ 520	\$ 180
Equity securities	2,250	2,286
Bonds	1,529	965
Commercial property	1,636	1,264
Alternatives	116	465
Total	<u>\$6,051</u>	<u>\$5,160</u>

United Kingdom regulations require trustees to adopt a prudent approach to funding required contributions to defined benefit pension plans. The Company anticipates making contributions of \$228,000 to the Portec Rail Plan during 2013.

The following estimated future benefits payments are expected to be paid under the Portec Rail Plan:

	Pension Benefits
	In thousands
2013	\$ 201
2014	232
2015	257
2016	290
2017	313
Years 2018 — 2022	1,960

Other Post-Retirement Benefit Plan

At Rail Technologies' operation near Montreal, Quebec, Canada, it maintains a post-retirement benefit plan, which provides retiree life insurance, health care benefits and, for a closed group of employees, dental care. Retiring employees with a minimum of 10 years of service are eligible for the plan benefits. The plan is not funded. Cost of benefits earned by employees is charged to expense as services are rendered. The expense related to this plan was not material for 2012 and 2011. Rail Technologies' accrued benefit obligation was \$1,130,000 and \$879,000 as of December 31, 2012 and 2011, respectively. Benefit payments anticipated for 2012 are not material. Accordingly, this obligation is recognized within other long-term liabilities.

The weighted average assumptions used to measure the benefit obligation for the years ended December 31 were as follows:

Discount rate	<u>2012</u> <u>4.4%</u>	<u>2011</u> <u>5.3%</u>
Weighted average health care trend rate	<u>6.6%</u>	<u>7.0%</u>

The weighted average health care rate trends downward to an ultimate rate of 4.40% in 2032.

Defined Contribution Plans

The Company has a domestic defined contribution plan that covers all non-union hourly and all salaried employees (Salaried Plan). The Salaried Plan permits both pre-tax and after-tax employee contributions. Participants can contribute, subject to statutory limitations, between 1% and 75% of eligible pre-tax pay and between 1% and 100% of eligible after-tax pay. The Company's employer match is 100% of the first 1% of deferred eligible compensation and up to 50% of the next 6%, based on years of service, of deferred eligible compensation, for a total maximum potential match of 4%. The Company may also make discretionary contributions to the Salaried Plan.

The Company also has a domestic defined contribution plan for union hourly employees with contributions made by both the participants and the Company based on various formulas (Union Plan).

The Company's Rail Technologies subsidiary maintains a defined contribution plan covering all non-union employees at its Montreal, Quebec, Canada location (Montreal Plan). Under the terms of the Montreal Plan, Rail Technologies may contribute 4% of each employee's compensation as a non-elective contribution and may also contribute 30% of the first 6% of each employee's compensation contributed to the Montreal Plan.

The Company's Rail Technologies subsidiary also maintains a defined contribution plan covering substantially all employees at its United Kingdom locations (U.K. Plan). Benefits under the U.K. Plan are provided under no formal written agreement. Under the terms of the defined contribution U.K. Plan, Rail Technologies may make non-elective contributions of between 3% and 10% of each employee's compensation.

Finally, the Company's Rail Technologies subsidiary maintains a defined contribution plan covering substantially all of the employees of at its Burnaby, British Columbia, Canada location (Burnaby Plan). Under the

terms of the Burnaby Plan, Rail Technologies makes a non-elective contribution of 4% of each employee's compensation and may also contribute 30% of the first 6% of each employee's compensation contributed to the Burnaby Plan.

The following table summarizes the expense associated with the contributions made to these plans. Due to the Company not acquiring Rail Technologies until December 15, 2010, there were no contributions made by the Company to the Montreal, U.K. or Burnaby Plans in 2010.

	2012	2011	2010
	In thousands		
Salaried Plan	\$2,028	\$1,846	\$1,700
Union Plan	79	62	34
Montreal Plan	126	101	—
U.K. Plan	116	122	—
Burnaby Plan	143	106	—
	<u>\$2,492</u>	<u>\$2,237</u>	<u>\$1,734</u>

Note 19.

Rental and Lease Information

The Company has capital and operating leases for certain plant facilities, office facilities, and equipment. Rental expense for the years ended December 31, 2012, 2011 and 2010 amounted to \$3,762,000, \$4,367,000 and \$3,674,000, respectively. Generally, land and building leases include escalation clauses.

The following is a schedule, by year, of the future minimum payments under capital and operating leases, together with the present value of the net minimum payments as of December 31, 2012:

Year ending December 31,	Capital Leases	Operating Leases
	In thousands	
2013	\$ 37	\$ 3,138
2014	23	2,752
2015	5	2,051
2016	—	1,525
2017 and thereafter	—	2,998
Total minimum lease payments	65	<u>\$ 12,464</u>
Less amount representing interest	3	
Total present value of minimum payments	62	
Less current portion of such obligations	35	
Long-term obligations with interest rates ranging from 1.74% to 8.46%	<u>\$ 27</u>	

Assets recorded under capital leases are as follows:

	2012	2011
	In thousands	
Land improvements	\$ 6,373	\$ 6,372
Machinery and equipment at cost	6,395	6,399
Buildings	399	399
	<u>13,167</u>	<u>13,170</u>
Less accumulated amortization	<u>12,556</u>	<u>11,019</u>
Net capital lease assets	<u>\$ 611</u>	<u>\$ 2,151</u>

Included in the Company's "Other Income" in the Consolidated Statements of Operations are gains recognized in connection with the Company's 2008 sale-leaseback transaction. During 2011, the Company provided the lessor of the Houston, TX property with written notice of the Company's termination of the lease in its entirety effective April 30, 2012. As a result of this termination, the Company recognized \$577,000 of previously deferred gain and is recorded in other income in the Consolidated Statement of Operations. Including this amount, the Company recorded approximately \$456,000, \$1,081,000 and \$215,000 within "Other Income" related to this transaction for the periods ended December 31, 2012, 2011 and 2010, respectively.

Note 20.

Fair Value Measurements

FASB ASC 820, "Fair Value Measurements and Disclosures," defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States, and expands disclosures about fair value measurements. The Company applies the provisions of ASC 820 to all its assets and liabilities that are being measured and reported on a fair value basis.

ASC 820 discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow) and the cost approach (cost to replace the service capacity of an asset or replacement cost). ASC 820 enables readers of financial statements to assess the inputs used to develop those measurements by establishing a hierarchy, which prioritizes those inputs used, for ranking the quality and reliability of the information used to determine fair values. The standard requires that each asset and liability carried at fair value be classified into one of the following categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The Company has an established process for determining fair value for its financial assets and liabilities, principally cash and cash equivalents and foreign currency exchange contracts. Fair value is based on quoted market prices, where available. If quoted market prices are not available, fair value is based on assumptions that use as inputs market-based parameters. The following sections describe the valuation methodologies used by the Company to measure different financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified. Where appropriate the description includes details of the key inputs to the valuations and any significant assumptions.

Cash equivalents. Included within "Cash and cash equivalents" are investments in money market funds with various underlying securities all of which maintain AAA credit ratings. Also included within cash equivalents are our investments in non-domestic bank certificates of deposit. The Company uses quoted market prices to determine the fair value of these investments and they are classified in Level 1 of the fair value hierarchy. The carrying amounts approximate fair value because of the short maturity of the instruments.

IDSJ acquisition notes. The Company issued non-interest bearing notes associated with its 2010 acquisition of Interlocking Deck Systems International, LLC (IDSJ). The Company determined the fair value of these notes by computing the present value of the note payments using an interest rate formula applicable to the Company's long-term debt. This note was paid during 2012. The note was included within "Current maturities of long-term debt" at December 31, 2011.

The following assets and liabilities of the Company were measured at fair value on a recurring basis subject to the disclosure requirements of ASC 820 at December 31, 2012 and December 31, 2011:

	December 31, 2012	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
In thousands				
Assets				
Domestic money market funds	\$ 58,620	\$ 58,620	\$ —	\$ —
Non domestic bank certificates of deposit	26,045	26,045	—	—
Cash equivalents at fair value	84,665	84,665	—	—
Total Assets	\$ 84,665	\$ 84,665	\$ —	\$ —

	December 31, 2011	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
In thousands				
Assets				
Domestic money market funds	\$ 42,273	\$ 42,273	\$ —	\$ —
Non domestic bank certificates of deposit	22,520	22,520	—	—
Cash equivalents at fair value	64,793	64,793	—	—
Total Assets	\$ 64,793	\$ 64,793	\$ —	\$ —
Liabilities				
IDSI acquisition short-term note	\$ (945)	\$ —	\$ (945)	\$ —
Total current maturities of other long-term debt	(945)	—	(945)	—
Total Liabilities	\$ (945)	\$ —	\$ (945)	\$ —

Information regarding the fair value disclosures associated with the assets of the Company's defined benefit plans can be found in Note 18, Retirement Plans.

Note 21.

Commitments and Contingent Liabilities

Product Liability Claims

On July 12, 2011, the UPRR notified (UPRR Notice) the Company and its subsidiary, CXT Incorporated (CXT), of a warranty claim under CXT's 2005 supply contract relating to the sale of prestressed concrete railroad ties to the UPRR. The UPRR asserted that a significant percentage of concrete ties manufactured in 2006 through 2011 at CXT's Grand Island, NE facility failed to meet contract specifications, had workmanship defects and were cracking and failing prematurely. Approximately 1.6 million ties were sold from Grand Island, NE to the UPRR during the period the UPRR had claimed nonconformance. The 2005 contract called for each concrete tie which failed to conform to the specifications or had a material defect in workmanship to be replaced with 1.5 new concrete ties, provided, that UPRR within five years of the sale of a concrete tie, notified CXT of such failure to conform or such defect in workmanship. The UPRR Notice did not specify how many ties manufactured during this period were defective nor the exact nature of the alleged workmanship defect. Additionally, UPRR

notified the Company that a customer of the UPRR asserted that a representative sample of ties manufactured by the Company's Grand Island, NE facility failed a test contained in the contract specification. At the customer's request, UPRR removed approximately 115,000 concrete ties, which were a subset of the ties subject to the UPRR Notice.

Beginning in July 2011 through the second quarter of 2012, the Company worked with material scientists and prestressed concrete experts to test a representative sample of Grand Island, NE concrete ties and assess warranty claims for certain concrete ties made in its Grand Island, NE facility between 1998 and 2011. The Company discontinued manufacturing operations in Grand Island, NE in early 2011.

During 2012, the Company completed sufficient testing and analysis to further understand this matter. Additionally, in a combined effort with UPRR, the Company analyzed Grand Island, NE concrete ties in track. Based upon these findings, the Company believed it discovered conditions, which largely related to the 2006 to 2007 manufacturing period, that can shorten the life of the concrete ties produced during this period. The Company also agreed on a process with the UPRR for identifying, prioritizing and replacing ties that meet the criteria for replacement. This process will be applied to the ties the Company shipped to the UPRR from its Grand Island, NE facility from 1998 to 2011. During most of this period the Company's warranty policy for UPRR carried a 5 year warranty with a 1.5:1 replacement ratio for any defective ties. In order to accommodate the UPRR and other customer concerns, the Company reverted to a previously used warranty policy. This will result in all concrete ties with a 5 year warranty and a 1.5:1 replacement ratio, now having a 15 year warranty and a 1:1 replacement ratio. This change will provide an additional 10 years of warranty protection. The 1:1 replacement ratio will furnish one tie for each tie replaced under the Company's claims process. During the fourth quarter of 2012, the Company reached agreement with the UPRR resulting in the Company and the UPRR working together to identify and replace defective ties. The process of planning and documenting will be done by both the Company and the UPRR to ensure this is done in a timely manner. In connection with this agreement, the Company and the UPRR agreed on a cash payment of \$12.0 million to the UPRR as compensation for concrete ties replaced by the UPRR during the investigation period.

During 2012, as a result of testing the Company conducted on concrete ties manufactured at its former Grand Island, NE facility and of the related developments of the UPRR and other customer matters, the Company recorded pre-tax warranty charges of approximately \$22.0 million in "Cost of Goods Sold" within its Rail Products segment based on the Company's estimate of the number of defective concrete ties that will ultimately require replacement during the applicable warranty periods.

The Company is subject to product warranty claims that arise in the ordinary course of its business. For certain manufactured products, the Company maintains a product warranty accrual which is adjusted on a monthly basis as a percentage of cost of sales. This product warranty accrual is periodically adjusted based on the identification or resolution of known individual product warranty claims. The following table sets forth the Company's continuing operating activities product warranty accrual:

	<u>In thousands</u>
Balance at December 31, 2010	\$ 4,403
Additions to warranty liability	4,437
Warranty liability utilized	<u>(2,208)</u>
Balance at December 31, 2011	6,632
Additions to warranty liability	24,252
Warranty liability utilized	<u>(15,157)</u>
Balance at December 31, 2012	<u>\$ 15,727</u>

Included within the above table are concrete tie warranty reserves of approximately \$14,837,000, \$5,160,000 and \$1,966,000, respectively, as of December 31, 2012, 2011 and 2010. For the periods ended December 31, 2012, 2011 and 2010, the Company recorded approximately \$23,019,000, \$3,469,000 and \$750,000, respectively, in pre-tax concrete tie warranty charges within "Cost of Goods Sold" in the Company's Rail Products segment primarily related to concrete ties manufactured at the Company's former Grand Island, NE facility.

While the Company believes this is a reasonable estimate of these potential warranty claims, these estimates could change due to new information and future events. There can be no assurance at this point that future potential costs pertaining to these claims or other potential future claims will not have a material impact on the Company's results of operations.

Environmental and Legal Proceedings

The Company is subject to national, state, foreign, provincial and/or local laws and regulations relating to the protection of the environment. The Company is monitoring its potential environmental exposure related to current and former Rail Technologies facilities. The Company's efforts to comply with environmental regulations may have an adverse effect on its future earnings. In the opinion of management, compliance with the present environmental protection laws will not have a material adverse effect on the financial condition, results of operations, cash flows, competitive position or capital expenditures of the Company.

The Company is also subject to legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial condition or liquidity of the Company. The resolution, in any reporting period, of one or more of these matters could have a material effect on the Company's results of operations for that period.

As of December 31, 2012 and December 31, 2011, the Company maintained environmental and litigation reserves approximating \$2,141,000 and \$2,184,000, respectively.

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, NE. CXT and the Company have been cooperating fully with the IG.

Note 22.**Quarterly Financial Information (Unaudited)**

As more fully described in Note 4 of the Notes to the Consolidated Financial Statements, "Discontinued Operations," the Company sold its SSD and Precise businesses in June 2012 and August 2012, respectively. The operations of these divisions qualify as a "component of an entity" under FASB ASC 205-20 and thus, the operations have been reclassified as discontinued and prior periods have been reclassified to conform to this presentation.

Quarterly financial information for the years ended December 31, 2012 and 2011 is presented below:

	2012				
	First Quarter	Second Quarter(1)	Third Quarter(2)	Fourth Quarter	Total
	In thousands, except per share amounts				
Net sales	\$ 114,291	\$ 163,180	\$ 170,346	\$ 140,724	\$ 588,541
Gross profit	\$ 21,652	\$ 12,334	\$ 30,713	\$ 27,570	\$ 92,269
Income from continuing operations	\$ 2,979	\$ (3,321)	\$ 8,463	\$ 6,643	\$ 14,764
Income from discontinued operations	\$ 390	\$ 1,250	\$ (238)	\$ 22	\$ 1,424
Net income	\$ 3,369	\$ (2,071)	\$ 8,225	\$ 6,665	\$ 16,188
Basic earnings per common share:					
From continuing operations	\$ 0.30	\$ (0.33)	\$ 0.83	\$ 0.65	\$ 1.46
From discontinued operations	\$ 0.04	\$ 0.12	\$ (0.02)	\$ —	\$ 0.14
Basic earnings per common share	\$ 0.33	\$ (0.20)	\$ 0.81	\$ 0.66	\$ 1.60
Diluted earnings per common share:					
From continuing operations	\$ 0.29	\$ (0.33)	\$ 0.83	\$ 0.65	\$ 1.44
From discontinued operations	\$ 0.04	\$ 0.12	\$ (0.02)	\$ —	\$ 0.14
Diluted earnings per common share	\$ 0.32	\$ (0.20)	\$ 0.81	\$ 0.65	\$ 1.58
Dividends paid per common share	\$ 0.025	\$ 0.025	\$ 0.025	\$ 0.025	\$ 0.10

(1) Includes a pre-tax gain of approximately \$3,508,000 from the Company's sale of SSD.

(2) Includes a pre-tax loss of approximately \$315,000 from the Company's sale of Precise.

	2011				
	First Quarter	Second Quarter	Third Quarter(3)	Fourth Quarter	Total
	In thousands, except per share amounts				
Net sales	\$ 113,688	\$ 169,591	\$ 158,323	\$ 133,735	\$ 575,337
Gross profit	\$ 16,986	\$ 25,306	\$ 29,594	\$ 26,524	\$ 98,410
Income from continuing operations	\$ 605	\$ 6,294	\$ 9,351	\$ 5,817	\$ 22,067
Income from discontinued operations	\$ (76)	\$ 229	\$ 389	\$ 286	\$ 828
Net income	\$ 529	\$ 6,523	\$ 9,740	\$ 6,103	\$ 22,895
Basic earnings per common share:					
From continuing operations	\$ 0.06	\$ 0.61	\$ 0.92	\$ 0.58	\$ 2.16
From discontinued operations	\$ (0.01)	\$ 0.02	\$ 0.04	\$ 0.03	\$ 0.08
Basic earnings per common share	\$ 0.05	\$ 0.63	\$ 0.96	\$ 0.61	\$ 2.24
Diluted earnings per common share:					
From continuing operations	\$ 0.06	\$ 0.60	\$ 0.91	\$ 0.57	\$ 2.14
From discontinued operations	\$ (0.01)	\$ 0.02	\$ 0.04	\$ 0.03	\$ 0.08
Diluted earnings per common share	\$ 0.05	\$ 0.63	\$ 0.95	\$ 0.60	\$ 2.22
Dividends paid per common share	\$ —	\$ 0.050	\$ 0.025	\$ 0.025	\$ 0.10

(3) Includes a pre-tax gain of approximately \$577,000 associated with the early termination of the lease associated with the Company's sale-leaseback transaction.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

L.B. Foster Company (the Company) carried out an evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) under the Securities and Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

Managements' Report on Internal Control Over Financial Reporting

The management of L.B. Foster Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a — 15(f). L.B. Foster Company's internal control system is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. All internal control systems, no matter how well designed, have inherent limitations. Accordingly, even effective controls can provide only reasonable assurance with respect to financial statement preparation and presentation. There were no significant changes in internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the fourth quarter of 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

L.B. Foster Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2012. In making this assessment, management used criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. Based on this assessment, management concluded that the Company maintained effective internal control over financial reporting as of December 31, 2012.

Ernst & Young LLP, the independent registered public accounting firm that also audited the Company's consolidated financial statements has issued an attestation report on the Company's internal control over financial reporting. Ernst & Young's attestation report on the Company's internal control over financial reporting appears in Part II, Item 8 of this Annual Report on Form 10-K and is incorporated herein by reference.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item regarding the directors of the Company is incorporated herein by reference to the information included in the Company's proxy statement for the 2013 annual meeting of stockholders (the "Proxy Statement") under the caption "Election of Directors."

The information required by this Item regarding the executive officers of the Company is set forth in Part I of this Annual Report on Form 10-K under the caption "Executive Officers of the Registrant" and is incorporated herein by reference.

The information required by this Item regarding compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated herein by reference to the information included in the Proxy Statement under the caption "Section 16(a) Beneficial Reporting Compliance."

The information required by this Item regarding our Code of Ethics is set forth in Part I of this Annual Report on Form 10-K under the caption "Code of Ethics" and is incorporated herein by reference.

The information required by this Item regarding our audit committee and the audit committee financial expert(s) is incorporated herein by reference to the information included in the Proxy Statement under the caption "Corporate Governance — Board Committees — Audit Committee."

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item regarding executive compensation is incorporated herein by reference to the information included in the Proxy Statement under the captions "Director Compensation — 2012," "Executive Compensation," "Summary Compensation Table (2012, 2011 and 2010)," "Grants of Plan-Based Awards in 2012," "Outstanding Equity Awards At 2012 Fiscal Year-End," "2012 Options Exercises and Stock Vested Table," "2012 Nonqualified Deferred Compensation," "Change-In-Control," "Compensation Committee Interlocks and Insider Participation," and "Compensation Committee Report."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item regarding the Company's equity compensation plans is set forth in Part II, Item 5 of this Form 10-K under the caption "Securities Authorized for Issuance Under Equity Compensation Plans" and is incorporated herein by reference.

The information required by this Item regarding the beneficial ownership of the Company is incorporated herein by reference to the information included in the Proxy Statement under the caption "Stock Ownership."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item regarding transactions with related persons is incorporated herein by reference to the information included in the Proxy Statement under the caption "Corporate Governance — Transactions with Related Parties."

The information required by this Item regarding director independence is incorporated herein by reference to information included in the Proxy Statement under the caption "Corporate Governance — The Board and Board Meetings."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item regarding principal accountant fees and services is incorporated herein by reference to information included in the Proxy Statement under the caption "Independent Registered Public Accountants' Fees."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as a part of this Report:

(a)(1). *Financial Statements*

The following Reports of Independent Registered Public Accounting Firm, consolidated financial statements, and accompanying notes are included in Item 8 of this Report:

[Reports of Independent Registered Public Accounting Firm.](#)

[Consolidated Balance Sheets as of December 31, 2012 and 2011.](#)

[Consolidated Statements of Operations for the Years Ended December 31, 2012, 2011 and 2010.](#)

[Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2012, 2011 and 2010.](#)

[Consolidated Statements of Cash Flows for the Years Ended December 31, 2012, 2011 and 2010.](#)

[Consolidated Statements of Stockholders' Equity for the Years Ended December 2012, 2011 and 2010.](#)

[Notes to Consolidated Financial Statements.](#)

(a)(2). *Financial Statement Schedule*

Schedules for the Three Years Ended December 31, 2012, 2011 and 2010:

[II — Valuation and Qualifying Accounts.](#)

The remaining schedules are omitted because of the absence of conditions upon which they are required.

(a)(3). *Exhibits*

The exhibits listed on the accompanying index to exhibits are filed as part of this Annual Report on Form 10-K.

L. B. FOSTER COMPANY AND SUBSIDIARIES
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

	Balance at Beginning of Year	Additions		(1) Deductions	Balance at End of Year
		Charged to Costs and Expenses	(2) Other		
In thousands					
2012					
Deducted from assets to which they apply:					
Allowance for doubtful accounts	<u>\$ 1,725</u>	<u>\$ (319)</u>	<u>\$ —</u>	<u>\$ 507</u>	<u>\$ 899</u>
2011					
Deducted from assets to which they apply:					
Allowance for doubtful accounts	<u>\$ 1,524</u>	<u>\$ 275</u>	<u>\$ —</u>	<u>\$ 74</u>	<u>\$1,725</u>
2010					
Deducted from assets to which they apply:					
Allowance for doubtful accounts	<u>\$ 951</u>	<u>\$ 274</u>	<u>\$299</u>	<u>\$ —</u>	<u>\$1,524</u>

- (1) Notes and accounts receivable written off as uncollectible.
(2) Other additions relate to the Rail Technologies acquisition.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

L.B. FOSTER COMPANY

Date: March 8, 2013

By: /s/ Robert P. Bauer
(Robert P. Bauer,
President and Chief Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Position</u>	<u>Date</u>
By: <u>/s/ Lee B. Foster II</u> (Lee B. Foster II)	Chairman of the Board and Director	March 8, 2013
By: <u>/s/ Robert P. Bauer</u> (Robert P. Bauer)	President, Chief Executive Officer and Director	March 8, 2013
By: <u>/s/ Peter McIlroy II</u> (Peter McIlroy II)	Director	March 8, 2013
By: <u>/s/ G. Thomas McKane</u> (G. Thomas McKane)	Director	March 8, 2013
By: <u>/s/ Diane B. Owen</u> (Diane B. Owen)	Director	March 8, 2013
By: <u>/s/ William H. Rackoff</u> (William H. Rackoff)	Director	March 8, 2013
By: <u>/s/ Suzanne B. Rowland</u> (Suzanne B. Rowland)	Director	March 8, 2013
By: <u>/s/ David J. Russo</u> (David J. Russo)	Senior Vice President, Chief Financial Officer and Treasurer	March 8, 2013
By: <u>/s/ Christopher T. Scanlon</u> (Christopher T. Scanlon)	Controller and Chief Accounting Officer	March 8, 2013

Item 6. EXHIBITS

The Exhibits marked with an asterisk are filed herewith. All exhibits are incorporated herein by reference:

- 2.1 Agreement and Plan of Merger, dated February 16, 2010, by and among L.B. Foster Company, Foster Thomas Company and Portec Rail Products, Inc. filed as Exhibit 2.1 to Form 8-K on February 17, 2010.
- 2.2 First Amendment to Agreement and Plan of Merger, dated as of May 13, 2010, by and among Portec Rail Products, Inc., L.B. Foster Company and Foster Thomas Company filed as Exhibit 2.1 to Form 8-K on May 13, 2010.
- 2.3 Second Amendment to Agreement and Plan of Merger, dated August 30, 2010, by and among Portec Rail Products, Inc., L.B. Foster Company and Foster Thomas Company filed as Exhibit 2.1 to Form 8-K on August 30, 2010.
- 2.4 Asset Purchase Agreement between Interlocking Deck Systems International, LLC and the Registrant dated March 23, 2010 filed as Exhibit 10.25 to Form 8-K on March 29, 2010.
- 3.1 Restated Certificate of Incorporation, filed as Exhibit 3.1 to Form 10-Q for the quarter ended March 31, 2003.
- 3.2 Bylaws of the Registrant, filed as Exhibit 3.1 to Form 10-Q for the quarter ended September 30, 2012.
- 4.1 Rights Agreement, amended and restated as of November 19, 2012, between L.B. Foster Company and American Stock Transfer & Trust Company, including the form of Rights Certificate and the Summary of Rights attached thereto, filed as Exhibit 4.1 to Form 8-K on November 20, 2012.
- 10.1 \$125,000,000 Revolving Credit Facility Credit Agreement dated May 2, 2011, between Registrant and PNC Bank, N.A., Bank of America, N.A., Wells Fargo Bank, N.A., and Citizens Bank of Pennsylvania, filed as Exhibit 10.0 to Form 8-K on May 4, 2011.
- 10.2 First Amendment to Credit Agreement, filed as Exhibit 10.1 to Form 10-Q for the quarter ended September 30, 2012.
- **10.3 Employment Agreement with Robert P. Bauer, dated January 18, 2012, filed as Exhibit 10.1 to Form 8-K on January 23, 2012.
- **10.4 Employment Agreement with Kevin R. Haugh, filed as Exhibit 10.54 to Form 10-Q on November 9, 2011
- **10.5 Letter Agreement with Stan Hasselbusch, dated January 23, 2012, filed as Exhibit 10.2 to Form 8-K on January 23, 2012.
- **10.6 2006 Omnibus Plan, as amended and restated May 18, 2011, filed as Exhibit A to the Company's Proxy Statement on Schedule 14A on April 8, 2011.
- **10.7 Form of Restricted Stock Agreement (for grants made prior to December 23, 2011), filed as Exhibit 10.1 to Form 8-K on December 21, 2011.
- **10.8 Amended Form of Restricted Stock Agreement (for grants made on or after December 23, 2011), filed as Exhibit 10.2 to Form 8-K on December 21, 2011.
- **10.9 Restricted Stock Agreement between Registrant and Stan L. Hasselbusch dated May 28, 2010 filed as Exhibit 10.61 to Form 8-K on June 1, 2010.
- **10.10 Restricted Stock Agreement between Registrant and David J. Russo dated May 28, 2010 filed as Exhibit 10.62 to Form 8-K on June 1, 2010.
- **10.11 Retention Performance Share Unit Award Agreement between Registrant and Stan L. Hasselbusch dated March 15, 2011 filed as Exhibit 10.63 to Form 8-K on March 21, 2011.
- **10.12 Retention Performance Share Unit Award Agreement between Registrant and David R. Sauder dated March 15, 2011, filed as Exhibit 10.14 to Form 10-K for the year ended December 31, 2011.

**10.13 Form of Performance Share Unit Award Agreement (2008 – 2011), filed as Exhibit 10.15 to Form 10-K for the year ended December 31, 2011.

**10.13.1 Form of Performance Share Unit Award Agreement (2012), filed as Exhibit 10.15.1 to Form 10-K for the year ended December 31, 2011.

*10.13.2 Form of Performance Share Unit Award Agreement (2013), filed herewith. **

**10.14 Executive Annual Incentive Compensation Plan, filed as Exhibit 10.59 to Form 8-K on March 12, 2008.

*10.15 Amended and Restated Key Employee Separation Plan, filed herewith. **

**10.16 Restated Supplemental Executive Retirement Plan, filed as Exhibit 10.1 to Form 10-Q for the quarter ended June 30, 2012.

**10.17 Amended and Restated 1985 Long-Term Incentive Plan as of May 25, 2005, filed as Exhibit 10.33.2 to Form 10-K for the year ended December 31, 2010.

**10.18 Amended and Restated 1998 Long-Term Incentive Plan as of May 25, 2005, filed as Exhibit 10.34 to Form 10-K for the year ended December 31, 2010.

**10.19 Amendment, effective May 24, 2006, to Amended and Restated 1998 Long-Term Incentive Plan as of May 25, 2005, filed as Exhibit 10.34.1 to Form 10-K for the year ended December 31, 2010.

**10.20 Medical Reimbursement Plan (MRP1) effective January 1, 2006, filed as Exhibit 10.45 to Form 10-K for the year ended December 31, 2010.

**10.21 Medical Reimbursement Plan (MRP2) effective January 1, 2006, filed as Exhibit 10.45.1 to Form 10-K for the year ended December 31, 2010.

**10.22 Amendments to MRP2 filed as Exhibit 10.45.2 to Form 10-K for the year ended December 31, 2010.

**10.23 Leased Vehicle / Vehicle Allowance Policy, as amended and restated on September 1, 2007, filed as Exhibit 10.46 to Form 10-K for the year ended December 31, 2010.

**10.24 Summary of Director Compensation, filed as Exhibit 10.53 to Form 10-Q for the quarter ended September 30, 2011.

*21 List of Subsidiaries

*23 Consent of Independent Registered Public Accounting Firm.

*31.1 Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.

*31.2 Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.

*32.0 Certification of Chief Executive Officer and Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002.

***101.INS XBRL Instance Document.

***101.SCH XBRL Taxonomy Extension Schema Document.

***101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.

***101.DEF XBRL Taxonomy Extension Definition Linkbase Document.

***101.LAB XBRL Taxonomy Extension Label Linkbase Document.

***101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.

* Exhibits marked with an asterisk are filed herewith.

** Identifies management contract or compensatory plan or arrangement required to be filed as an Exhibit.

*** In accordance with SEC Release 33-8238, the certifications contained in Exhibits 32 are being furnished and not filed. In accordance with Rule 406T of Regulation S-T promulgated by the Securities and Exchange Commission, Exhibit 101 is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities and Exchange Act of 1934, and otherwise is not subject to liability under these sections

L. B. Foster Company
2013 PERFORMANCE SHARE UNIT PROGRAM
(2013-2015)

[DATE]

[NAME AND ADDRESS]

Dear [NAME]:

Pursuant to the terms and conditions of the L. B. Foster Company 2013 Performance Share Unit Program (the "Program"), a component of the Long Term Incentive Program, the Compensation Committee of the Board of Directors of L. B. Foster Company (the "Committee") has awarded you Performance Share Units (the "Award"). The terms and conditions of your Award are governed by the provisions of the Program document attached hereto as Exhibit A, the terms of which are hereby incorporated by reference. Capitalized terms not otherwise defined herein shall each have the meaning assigned to them in the Program.

Name: _____
 Title: _____

I hereby acknowledge and accept the Award described above subject to all of the terms and conditions of the Program including, without limitation, the forfeiture and covenant provisions set forth in Sections 11, 12 and 13 of the Program, regardless of whether the Award ever results in a payment under the Program. I further acknowledge receipt of a copy of the Program document and the L. B. Foster Company 2006 Omnibus Incentive Plan, as amended (the "Plan"), and I agree to be bound by all the provisions of the Program and the Plan, as amended from time to time.

By signing below, I acknowledge that: (i) I have read and understand the Program including, without limitation, the provisions that require me to repay monies to the Company if (A) I breach Section 11 or 12 of the Program or (B) the Company is required to prepare an accounting restatement to the extent set forth in Section 13(c); (ii) the Performance Share Units that have been awarded to me have no independent economic value, but rather are mere units of measurement to be used in calculating benefits, if any, available under the Program; (iii) I agree to accept as binding, conclusive and final all decisions or interpretations of the Compensation Committee upon any questions arising under this Award, the Program or the Plan; and (iv) my decision to participate in the Program is completely voluntary and done with full knowledge of its terms. ***I further acknowledge and agree that, except as otherwise specifically provided in the Program, in the event I terminate employment prior to the Payment Date, the Performance Share Units awarded to me shall be cancelled and forfeited, whether payable or not, without payment by the Company or any Subsidiary.***

Signature: _____ Date: _____
 Name

Exhibit A

L. B. FOSTER COMPANY
2013 PERFORMANCE SHARE UNIT PROGRAM
(2013-2015)

L. B. FOSTER COMPANY, a Pennsylvania corporation (the "Company"), hereby establishes this L. B. FOSTER COMPANY 2013 PERFORMANCE SHARE UNIT PROGRAM (the "Program"), in accordance with the provisions of the L. B. FOSTER COMPANY 2006 Omnibus Incentive Plan, as amended (the "Plan"), and the terms and conditions provided herein.

WHEREAS, the Company maintains the Plan for the benefit of its and its Subsidiaries' key employees; and

WHEREAS, in order to align the interests of key employees with the interests of the Company's shareholders and to enhance the Company's ability to retain the employment of its key employees, the Company desires to provide long-term incentive compensation; and

WHEREAS, Article VI of the Plan authorizes the Company to make performance-based awards.

NOW, THEREFORE, the Compensation Committee of the Board of Directors of the Company ("Compensation Committee") hereby adopts the Program on the following terms and conditions:

1. Plan. In addition to the terms and conditions set forth herein, awards under the Program are subject to, and governed by, the terms and conditions set forth in the Plan, which are hereby incorporated by reference. Unless the context otherwise requires, capitalized terms used in this Program and not otherwise defined herein shall have the meanings set forth in the Plan. In the event of any conflict between the provisions of the Program and the Plan, the Compensation Committee shall have full authority and discretion to resolve such conflict and any such determination shall be final, conclusive and binding on the Participant and all interested parties.

2. Effective Date. The effective date of this Program is February 26, 2013

3. Eligibility. The Committee shall select those individuals who shall participate in the Program (the "Participants"). In the event that an employee is hired by the Company or a Subsidiary during the Performance Period, upon recommendation by the CEO, the Committee shall determine whether such employee will become a Participant in the Program, subject to such terms, conditions and adjustments as the Committee determines to be necessary or desirable.

4. Performance Share Unit Awards.

(a) The Committee shall determine the number of performance share units (the "Performance Share Units") to be awarded to each Participant. Each Performance Share Unit awarded under the Program shall represent a contingent right to receive up to two shares of the Company's common stock (the "Common Stock") as described more fully herein, to the extent such Performance Share Unit is earned and becomes payable pursuant to the terms of this Program. Performance Share Units have no independent economic value, but rather are mere units of measurement used for purpose of calculating the number of shares, if any, to be paid under the Program.

(b) Performance Share Units shall be increased and/or decreased in accordance with the terms of the Program as described more fully herein. Notwithstanding any provision of this Plan to the contrary, (i) the Committee, in its sole discretion, may reduce the amount of any Performance Share Units that would otherwise be earned by a Participant upon attainment of the Performance Conditions (as defined below) if it concludes that such reduction is necessary or appropriate, and (ii) the Committee shall not use its discretionary authority to increase the number of Performance Share Units that would otherwise be earned upon attainment of the Performance Conditions with respect to any award that is intended to be performance-based compensation under Section 162(m) of the Code.

5. Performance Conditions of the Performance Share Units. The total number of shares of the Company's Common Stock that may be earned by a Participant will be based on the Company's attainment of performance goals relating to the Company's return on invested capital ("ROIC") and Compound Annual Growth Rate of Earnings from continuing operations ("Earnings CAGR") during The Program Period as approved by (and in accordance with the procedures established by) the Committee on February 26, 2013 and on file with the Committee (the "Performance Conditions"), for the performance period of January 1, 2013 through December 31, 2015 (the "Performance Period"); provided, however, that except as otherwise specifically provided herein, the ability to earn shares of the Company's Common Stock and to receive payment thereon under the Program is expressly contingent upon achievement of the threshold for the Performance Conditions and otherwise satisfying all other terms and conditions of the Program.

6. Issuance and Distribution.

(a) After the end of the Performance Period, the Committee shall certify in writing the extent to which the applicable Performance Conditions and any other material terms of the Program have been achieved. For purposes of this provision, and for so long as the Code permits, the approved minutes of the Committee meeting in which the certification is made may be treated as written certification.

(b) Subject to the terms and conditions of this Program, Performance Share Units will be settled and paid in shares of the Company's common stock in the calendar year immediately following the end of the Performance Period on a date determined in the Company's discretion, but in no event later than March 15th of such calendar year (the "Payment Date").

(c) Notwithstanding any other provision of this Program, in the event of a Change of Control, the Committee may, in its sole discretion, terminate the Program and, unless otherwise determined by the Committee, the Participant shall be deemed to earn shares of the Company's Common Stock at the target level; provided, however, the Participant shall only be entitled to a prorated portion of such shares of the Company's Common Stock determined based on the ratio of the number of complete months the Participant is employed or serves during the Performance Period through the date of the change of control to the total number of originally scheduled months in the Performance Period (or the number of originally scheduled remaining months in the Performance Period if the Participant becomes an employee of the Company and/or its Subsidiaries after the start of the Performance Period). Any such earned shares of the Company's Common Stock shall be issued contemporaneous with the Change of Control on the closing date of the Change of Control; provided, further, in the event of a Change of Control, Performance Share Units may, in the Committee's discretion, be settled in cash and/or securities or other property.

7. Dividends. Performance Share Units will not be credited with dividends that are paid on the Company's Common Stock.

8. Change in Participant's Status. In the event a Participant's employment with the Company or any Subsidiary is terminated (i) by reason of Retirement on or after January 1, 2014 (or such earlier date as may be expressly authorized by the Committee), or (ii) on account of death or total and permanent Disability prior to the Payment Date, the Participant shall be entitled to retain the Performance Share Units and receive payment therefore to the extent earned and payable pursuant to the provisions of this Program; provided, however, the Participant shall only be entitled to retain a prorated portion of the Performance Share Units determined at the end of the Performance Period and based on the ratio of the number of complete months the Participant is employed or serves during the Performance Period to the total number of months in the Performance Period (or the number of remaining months in the Performance Period if the Participant becomes an employee of the Company and/or its Subsidiaries after the start of the Performance Period). In the event a Participant's employment with the Company or any Subsidiary is terminated for any other reason, including, but not limited to, by the Participant voluntarily, or by the Company on account of a Termination for Cause or without cause, prior to the Payment Date, the Performance Share Units awarded to the Participant shall be cancelled and forfeited, whether payable or not, without payment by the Company or any Subsidiary. Any payments due a deceased Participant shall be paid to his estate as provided herein after the end of the Performance Period.

9. Responsibilities of the Compensation Committee. In addition to the authority granted to the Compensation Committee under the Plan, the Compensation Committee has responsibility for all aspects of the Program's administration, including but not limited to: ensuring that the Program is administered in accordance with the provisions of the Program and the Plan; approving Participants; authorizing Performance Share Unit awards to Participants; and adjusting Performance Share Units as authorized hereunder consistent with the terms of the Program and the Plan. All decisions of the Compensation Committee under the Program shall be final, conclusive and binding on all interest parties. No member of the Compensation Committee shall be liable for any action or determination made in good faith as to the Program or any Performance Share Units awarded thereunder.

10. Tax Consequences/Withholding.

(a) It is intended that: (i) a Participant's Performance Share Units shall be considered to be subject to a substantial risk of forfeiture in accordance with those terms as defined in Section 409A and 3121(v)(2) of the Code; and (ii) a Participant shall have merely an unfunded, unsecured promise to be paid a benefit, and such unfunded promise shall not consist of a transfer of "property" within the meaning of Code Section 83.

(b) Participant acknowledges that any income for foreign, federal, state or local income tax purposes, including payroll taxes, that the Participant is required to recognize on account of the vesting of the Performance Share Units and/or issuance of the shares of Common Stock under this award to Participant shall be subject to withholding of tax by the Company. In accordance with administrative procedures established by the Company, Participant may elect to satisfy Participant's minimum statutory withholding tax obligations, if any, on account of the vesting of the Performance Share Units and/or issuance of shares of Common Stock under this award, in one or a combination of the following methods: in cash or by separate check made payable to the Company and/or by authorizing the Company to withhold from the Performance Share Units to be issued to the Participant a sufficient number of whole shares distributable in connection with this award equal to the applicable minimum statutory withholding tax obligation.

(c) This Program is intended to be excepted from coverage under Section 409A and shall be construed accordingly. Notwithstanding any provision of this Program to the contrary, if any benefit provided under this Program is subject to the provisions of Section 409A, the provisions of the Program will be administered, interpreted and construed in a manner necessary to comply with Section

409A (or disregarded to the extent such provision cannot be so administered, interpreted or construed). Notwithstanding, Section 409A of the Code may impose upon the Participant certain taxes or other charges for which the Participant is and shall remain solely responsible, and nothing contained in this Program or the Plan shall be construed to obligate the Compensation Committee, the Company or any Subsidiary for any such taxes or other charges.

(d) Notwithstanding any provision of the Program to the contrary, if an award of Performance Share Units under this Program is intended to qualify as performance-based compensation under Section 162(m) of the Code and the regulations issued thereunder and a provision of this Program would prevent such award from so qualifying, such provision shall be administered, interpreted and construed to carry out such intention (or disregarded to the extent such provision cannot be so administered, interpreted or construed).

11. Non-Competition.

(a) The Participants hereunder agree that this Section 11 is reasonable and necessary in order to protect the legitimate business interests and goodwill of the Company, including the Company's trade secrets, valuable confidential business and professional information, substantial relationships with prospective and existing customers and clients, and specialized training provided to Participants and other employees of the Company. The Participants acknowledge and recognize the highly competitive nature of the business of the Company and its Subsidiaries and accordingly agree that during the term of each of their employment and for a period of two (2) years after the termination thereof:

(i) The Participants will not directly or indirectly engage in any business substantially similar to any line of business conducted by the Company or any of its Subsidiaries, including, but not limited to, where such engagement is as an officer, director, proprietor, employee, partner, investor (other than as a holder of less than 1% of the outstanding capital stock of a publicly traded corporation), consultant, advisor, agent or sales representative, in any geographic region in which the Company or any of its Subsidiaries conducted business;

(ii) The Participants will not contact, solicit, perform services for, or accept business from any customer or prospective customer of the Company or any of its Subsidiaries in any line of business conducted by the Company or any of its subsidiaries;

(iii) The Participants will not directly or indirectly induce any employee of the Company or any of its Subsidiaries to: (1) engage in any activity or conduct which is prohibited pursuant to subparagraph 11(a)(i) or (2) terminate such employee's employment with the Company or any of its Subsidiaries. Moreover, the Participants will not directly or indirectly employ or offer employment (in connection with any business substantially similar to any line of business conducted by the Company or any of its Subsidiaries) to any person who was employed by the Company or any of its Subsidiaries unless such person shall have ceased to be employed by the Company or any of its Subsidiaries for a period of at least 12 months; and

(iv) The Participants will not directly or indirectly assist others in engaging in any of the activities, which are prohibited under subparagraphs (a)(i-iii) above.

(b) It is expressly understood and agreed that although the Participants and the Company consider the restrictions contained in this Section 11 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this Program is an unenforceable restriction against any Participant, the provisions

of this Program shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable against such Participant. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Program is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein. The restrictive covenants set forth in this Section 11 shall be extended by any amount of time that a Participant is in breach of such covenants, such that the Company receives the full benefit of the time duration set forth above.

12. Confidential Information and Trade Secrets. The Participants and the Company agree that certain materials, including, but not limited to, information, data and other materials relating to customers, development programs, costs, marketing, trading, investment, sales activities, promotion, credit and financial data, manufacturing processes, financing methods, plans or the business and affairs of the Company and its Subsidiaries, constitute proprietary confidential information and trade secrets. Accordingly, the Participants will not at any time during or after a Participant's employment with the Company (including any Subsidiary) disclose or use for such Participant's own benefit or purposes or the benefit or purposes of any other person, firm, partnership, joint venture, association, corporation or other business organization, entity or enterprise other than the Company and any of its affiliates, any proprietary confidential information or trade secrets, provided that the foregoing shall not apply to information which is not unique to the Company or any of its Subsidiaries or which is generally known to the industry or the public other than as a result of such Participant's breach of this covenant. The Participants agree that upon termination of employment with the Company (including any Subsidiary) for any reason, the Participants will immediately return to the Company all memoranda, books, papers, plans, information, letters and other data, and all copies thereof or therefrom, which in any way relate to the business of the Company and its Subsidiaries, except that the Participants may retain personal notes, notebooks and diaries. The Participants further agree that the Participants will not retain or use for their own account at any time any trade names, trademark or other proprietary business designation used or owned in connection with the business of the Company or any of its Subsidiaries.

13. Remedies/Forfeiture/Recoupment.

(a) The Participants acknowledge that a violation or attempted violation on a Participant's part of Sections 11 and 12 will cause irreparable damage to the Company and its Subsidiaries, and the Participants therefore agree that the Company and its Subsidiaries shall be entitled as a matter of right to an injunction, out of any court of competent jurisdiction, restraining any violation or further violation of such promises by the Participants or a Participant's employees, partners or agents. The Participants agree that such right to an injunction is cumulative and in addition to whatever other remedies the Company (including any Subsidiary) may have under law or equity, and the Participants' obligations to make timely payment to the Company as set forth in Section 13(b) of this Program. ***The Participants further acknowledge and agree that a Participant's Performance Share Units shall be cancelled and forfeited without payment by the Company if such Participant breaches any of his or her obligations set forth in Section 11 and 12 herein.***

(b) At any point after becoming aware of a breach of any obligation set forth in Sections 11 and/or 12 of this Program, the Company shall provide notice of such breach to a Participant. By agreeing to participate in this Program, the Participants agree that within ten (10) days after the date the Company provides such notice, a Participant shall pay to the Company in cash an amount equal to any and all distributions paid to or on behalf of such Participant under this Program within the six (6) months prior to the date of the earliest breach. The Participant agrees that failure to make such timely payment to the Company constitutes an independent and material breach of the terms and conditions of this Program, for which the Company may seek recovery of the unpaid amount as liquidated damages, in addition to all

other rights and remedies the Company may have resulting from a Participant's breach of the obligations set forth in Sections 11 and 12. The Participants agree that timely payment to the Company as set forth in this provision of the Program is reasonable and necessary because the compensatory damages that will result from breaches of Sections 11 and/or 12 cannot readily be ascertained. Further, the Participants agree that timely payment to the Company as set forth in this provision of the Program is not a penalty, and it does not preclude the Company from seeking all other remedies that may be available to the Company, including without limitation those set forth in this Section 13.

(c) In the event the Company is required to prepare an accounting restatement applicable to any financial reporting period covering a period within the Performance Period due to the material noncompliance of the Company with any financial reporting requirement under the securities laws or other applicable law and if the Committee, in its discretion, so determines, (i) each "Specified Participant" shall pay to the Company in cash up to the amount equal to the fair market value of any and all shares, cash or other compensation paid to or on behalf of such Participant under this Program, and, without duplication, (ii) each "Specified Participant" shall pay to the Company in cash an amount equal to the fair market value of any and all shares, cash or other compensation paid to or on behalf of such Participant under of this Program in excess of the amount of such compensation that would have been paid to the Participant based on the restated financial results. Any such payment shall be made within the time periods prescribed by the Committee. The Committee, in its discretion, shall determine whether the Company shall effect any such recovery (i) by seeking repayment from the Specified Participant, (ii) by reducing (subject to applicable law and the terms and conditions of the applicable plan, program or arrangement) the amount that would otherwise be payable to the Specified Participant under any compensatory plan, program or arrangement maintained by the Company or any of its affiliates, (iii) by withholding payment of future increases in compensation (including the payment of any discretionary bonus amount) or grants of compensatory awards that would otherwise have been made in accordance with the Company's otherwise applicable compensation practices, or (iv) by any combination of the foregoing. For purposes of this Program, the term "Specified Participant" means any Participant that the Committee has determined, in its sole discretion, that any fraud, negligence, or intentional misconduct by Participant was a significant contributing factor to the Company having to prepare an accounting restatement. A Participant's failure to make any such timely payment to the Company constitutes an independent and material breach of the terms and conditions of this Program, for which the Company may seek recovery of the unpaid amount as liquidated damages, in addition to all other rights and remedies the Company may have against the Participant. By participating in the Program, each Participant agrees that timely payment to the Company as set forth in this provision of the Program is reasonable and necessary, and that timely payment to the Company as set forth in this provision of the Program is not a penalty, and it does not preclude the Company from seeking all other remedies that may be available to the Company, including without limitation those set forth in this Section 13. ***Each Participant further acknowledges and agrees that a Participant's Performance Share Units shall be cancelled and forfeited without payment by the Company if such Participant is determined to be a Specified Participant with respect to any financial reporting period covering a period within the Performance Period. Notwithstanding the foregoing, the Company shall not be required to make any additional payment in the event that the restated financial results would have resulted in a greater payment to the Participant.***

Notwithstanding any other provisions of this Program or the Plan, if the Performance Share Units granted pursuant to this Program become subject to recovery under any Company policy adopted hereafter and required by law, regulation or stock exchange listing requirement, such Performance Share Units shall be subject to such deductions, recoupment, and clawback as may be required to be made pursuant to such Company policy (the "Clawback Requirement"). In the event the Performance Share Units granted pursuant to this Program become subject to such Clawback Requirement, then the Performance Share Units shall be subject to such Clawback Requirement, and this Section 13(c) shall no longer apply to such Performance Share Units.

14. Assignment/Nonassignment.

(a) The Company shall have the right to assign this Program, including without limitation Section 11, and the Participants agree to remain obligated by all provisions of this Program that are assigned to any successor, assign or surviving entity. The obligations of the Company under the Program shall be binding upon the successors and assigns of the Company. Any successor to the Company is an intended third party beneficiary of this Program.

(b) The Performance Share Units shall not be sold, pledged, assigned, hypothecated, transferred or disposed of (a "Transfer") in any manner, other than by will or the laws of descent and distribution. Any attempt by a Participant to Transfer the Performance Share Units in violation of the terms of the Program shall render the Performance Share Units null and void, and result in the immediate forfeiture of such Performance Share Units, without payment by the Company or any Subsidiary.

15. Impact on Benefit Plans. Payments under the Program shall not be considered as earnings for purposes of the Company's and/or Affiliate's qualified retirement plans or any such retirement or benefit plan unless specifically provided for therein. Nothing herein shall prevent the Company or any Affiliate from maintaining additional compensation plans and arrangements for its employees.

16. Changes in Stock. In the event of a stock split, stock dividend, or similar event, the Performance Share Units and the shares of Company common stock on which the Performance Conditions are based shall be appropriately adjusted to prevent dilution or enlargement of the rights of Participants which would otherwise result from any such transaction, provided such adjustment shall be consistent with Code Section 162(m) and Section 409A. In the case of a Change of Control, any obligation under the Program shall be handled in accordance with the terms of Section 6(c) hereof.

17. Governing Law, Jurisdiction, and Venue.

(a) This Program shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to the principles of conflicts of law.

(b) Participant hereby irrevocably submits to the personal and exclusive jurisdiction of the United States District Court for the Western District of Pennsylvania or the Court of Common Pleas of Allegheny County, Pennsylvania in any action or proceeding arising out of, or relating to, this Program (whether such action or proceeding arises under contract, tort, equity or otherwise). Participant hereby irrevocably waives any objection which Participant now or hereafter may have to the laying of venue or personal jurisdiction of any such action or proceeding brought in said courts.

(c) Jurisdiction over, and venue of, any such action or proceeding shall be exclusively vested in the United States District Court for the Western District of Pennsylvania or the Court of Common Pleas of Allegheny County, Pennsylvania.

(d) Provided that the Company commences any such action or proceeding in the courts identified in Section 17(b), Participant irrevocably waives Participant's right to object to or challenge the above selected forum on the basis of inconvenience or unfairness under 28 U.S.C. § 1404, 42 Pa. C.S. § 5322 or similar state or federal statutes. Participant agrees to reimburse the Company for all of the attorneys fees and costs it incurs to oppose Participant's efforts to challenge or object to litigation proceeding in the courts identified in Section 17(b) with respect to actions arising out of or relating to this Program (whether such actions arise under contract, tort, equity or otherwise).

18. Failure to Enforce Not a Waiver. The failure of the Company to enforce at any time any provision of this Program shall in no way be construed to be a waiver of such provision or of any other provision hereof.

19. Severability. In the event that any one or more of the provisions of this Program shall be held to be invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

20. Funding. The Program is not funded and all amounts payable hereunder, if any, shall be paid from the general assets of the Company or its Affiliate, as applicable. No provision contained in this Program or the Plan and no action taken pursuant to the provisions of this Program or the Plan shall create a trust of any kind or require the Company to maintain or set aside any specific funds to pay benefits hereunder. To the extent a Participant acquires a right to receive payments from the Company under the Program, such right shall be no greater than the right of any unsecured general creditor of the Company.

21. Headings. The descriptive headings of the Sections of this Program are inserted for convenience of reference only and shall not constitute a part of this Program.

22. Amendment or Termination of this Program. This Program may be modified, amended, suspended or terminated by the Committee at any time. Notwithstanding the foregoing or any provision of this Program to the contrary, the Committee may, in the sole discretion and without the Participants' consent, modify or amend the terms of the Program or a Performance Grant, or take any other action it deems necessary or advisable, to cause the Program to comply with Section 409A or Section 162(m) (or an exception thereto). Any modification, amendment, suspension or termination shall only be effective upon a writing issued by the Committee, and a Participant shall not offer evidence of any purported oral modifications or amendments to vary or contradict the terms of this Program document.

IN WITNESS WHEREOF, the undersigned has executed this Program on the day and year indicated below. This Program may be executed in more than one counterpart, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

Dated: February 26, 2013

/s/ William H. Rackoff

William H. Rackoff

Chairman, Compensation Committee

**Plan Document
and
Summary Plan Description
of the
L. B. Foster Company
Key Employee Separation Plan

As Amended and Restated
Effective February 26, 2013**

**L. B. FOSTER COMPANY
KEY EMPLOYEE SEPARATION PLAN**

ARTICLE 1. INTRODUCTION

1.1 Purpose. The purposes of this L. B. Foster Company Key Employee Separation Plan is to assist the Company to retain the services of key employees by providing eligible employees of the Company and its Affiliates with certain severance and welfare benefits in the event their employment is involuntarily terminated (or constructively terminated) in connection with a Change in Control.

1.2 Term of the Plan. The Plan shall generally be effective as of the Effective Date, but subject to amendment from time to time in accordance with Article 7. The Plan shall continue until terminated pursuant to Article 7 hereof.

ARTICLE 2. DEFINITIONS

Except as may otherwise be specified or as the context may otherwise require, the following terms shall have the respective meanings set forth below whenever used herein:

(a) "Affiliate" shall mean any parent entities, affiliated Subsidiaries and/or divisions of the Company.

(b) "Base Pay" shall mean the Participant's annual base salary rate, exclusive of bonuses, commissions and other incentive pay, as in effect immediately preceding the Participant's Date of Termination.

(c) "Benefit Factor" shall mean the multiple which has been assigned to each Participant for purposes of determining the Participant's benefit under Section 4.2(ii).

(d) "Benefit Plans" shall mean the insurance and health and welfare benefits plans and policies to which Participant is entitled to participate.

(e) "Board" shall mean the Board of Directors of the L. B. Foster Company.

(f) "Cause" shall mean that by majority vote, the Board has determined in good faith that any of the following has occurred:

(i) Participant's conduct, by act or omission, constitutes gross negligence or willful misconduct in the performance of the duties and services required of Participant;

(ii) Participant has been convicted of, or has entered a plea of guilty or nolo contendere to, a felony, or Participant has engaged in fraudulent or criminal activity relating to the scope of Participant's employment (whether or not prosecuted);

(iii) Participant's conduct, by act or omission, constitutes a material violation of the Company's Legal and Ethical Conduct Policy Guide, as amended from time to time;

(iv) Participant's conduct, by act or omission, constitutes a continuing or repeated failure to perform the duties as requested in writing by the Participant's supervisor(s) or the Board after Participant has been afforded a reasonable opportunity (not to exceed 30 days) to cure such breach;

(v) Participant has committed a felony or lesser crime involving moral turpitude; or

(vi) Participant's conduct constitutes a foreseeable risk that the Company and/or its Affiliates may be brought into public disgrace or disrepute in any material respect.

(g) "Change in Control" shall mean the first to occur, after the Effective Date, of any of the following:

(i) any merger, consolidation or business combination in which the stockholders of the L. B. Foster Company immediately prior to the merger, consolidation or business combination do not own at least a majority of the outstanding equity interests of the surviving parent entity;

(ii) the sale of all or substantially all of the L. B. Foster Company's assets in a single transaction or a series of related transactions;

(iii) the acquisition of beneficial ownership or control (including, without limitation, power to vote) of a majority of the outstanding common stock of the L. B. Foster Company by any person or entity (including a "group" as defined by or under Section 13(d)(3) of the Securities Exchange Act, but excluding the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of Shares);

(iv) a contested election of directors, as a result of which or in connection with which the persons who were directors of the L. B. Foster Company before such election or their nominees cease to constitute a majority of L. B. Foster's Board.

Upon the occurrence of a Change in Control as provided above, no subsequent event or condition shall constitute a Change in Control for purposes of the Plan with the result that there can be no more than one Change in Control hereunder.

(h) "COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

(i) "COBRA Continuation Period" shall mean the continuation period for medical and dental insurance to be provided under the terms of this Plan which shall commence on the first day of the calendar month following the month in which the Date of Termination falls.

(j) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(k) "Committee" shall mean the Compensation Committee of the Board, or any successor committee designated by the Board.

(l) "Company" shall mean the L. B. Foster Company, a Pennsylvania corporation, and its parent entities, Subsidiaries and Affiliates as may employ Participant from time to time; provided that a Subsidiary which ceases to be, directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with the L. B. Foster Company prior to a Change in Control (other than in connection with and as an integral part of a series of transactions resulting in a Change in Control) shall, automatically and without any further action, cease to be (or be a part of) the Company and its Affiliates for purposes hereof.

(m) "Covered Change in Control Termination" shall mean, with respect to a Participant, if, during the 90-day period immediately preceding a Change in Control, or on or within the two-year period immediately following a Change in Control, the occurrence of an Involuntary Termination Associated with a Change in Control.

(n) "Date of Termination" shall mean the date on which a Covered Change in Control Termination occurs.

(o) "Disability" shall mean the Participant's physical or mental incapacity, with reasonable accommodation, to perform his or her usual duties with such condition likely to remain continuously and permanently as determined by the Company.

(p) "Effective Date" shall mean December 9, 2008.

(q) "Good Reason" shall mean the Participant's Separation from Service by the Participant as a result of the occurrence, without the Participant's written consent, of one of the following events:

(i) A material reduction in the Participant's annual Base Pay (unless such reduction relates to an across-the-board reduction similarly affecting Participant and all or substantially all other executives of the Company and its Affiliates);

(ii) The Company makes or causes to be made a material adverse change in the Participant's position, authority, duties or responsibilities which results in a significant diminution in the Participant's position, authority, duties or responsibilities, excluding any change made in connection with (A) a reassignment to a New Job Position, or (B) a termination of Participant's employment with the Company for Disability, Cause, death, or temporarily as a result of Participant's incapacity or other absence for an extended period;

(iii) A relocation of the Company's principal place of business, or of Participant's own office as assigned to Participant by the Company to a location that increases Participant's normal work commute by more than 50 miles; or

(iv) Any other action by the Company that constitutes a material breach of the employment agreement, if any, under which Participant's services are to be performed.

In order for Participant to terminate for Good Reason, (A) the Company must be notified by Participant in writing within 90 days of the event constituting Good Reason, (B) the event must remain uncorrected by the Company for 30 days following such notice (the "Notice Period"), and (C) such termination must occur within 60 days after the expiration of the Notice Period.

(r) "Involuntary Termination Associated With a Change in Control" means the Participant's Separation from Service in connection with a Change in Control: (i) by the Company and any Affiliate for any reason other than (A) Cause, (B) the Participant's death, or (C) the Participant's Disability; or (ii) on account of Good Reason by the Participant.

(s) "New Job Position" shall mean a change in the Participant's position, authority, duties or responsibilities with the Company or any Affiliate due to the Participant's demonstrated inadequate or unsatisfactory performance, provided the Participant had been notified of such inadequate performance and had been given at least 30 days to cure such inadequate performance.

(t) "Notice of Termination" shall mean a notice given by the Company or Participant, as applicable, which shall indicate the specific termination provision in the Plan relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Participant's employment under the provisions so indicated.

(u) "Participant" shall have the meaning ascribed by Article 3.

(v) "Plan" shall mean this L. B. Foster Company Key Employee Separation Plan, as it may be amended from time to time in accordance with Article 7.

(w) "Plan Administrator" shall have the meaning ascribed by Article 12.

(x) "Release" shall have the meaning ascribed by Section 4.3.

(y) "Securities Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(z) "Separation from Service" shall mean a Participant's termination of employment with the Company (including all persons treated as a single employer under Section 414(b) and 414(c) of the Code) that constitutes a "separation from service" within the meaning of Section 409A of the Code. For purposes hereof, the determination of controlled group members shall be made pursuant to the provisions of Section 414(b) and 414(c) of the Code; provided that the language "at least 50 percent" shall be used instead of "at least 80

percent” in each place it appears in Section 1563(a)(1), (2) and (3) of the Code and Treas. Reg. § 1.414(c)-2; provided, further, where legitimate business reasons exist (within the meaning of Treas. Reg. § 1.409A-1(h)(3)), the language “at least 20 percent” shall be used instead of “at least 80 percent” in each place it appears. Whether a Participant has Separated from Service will be determined based on all of the facts and circumstances and in accordance with the guidance issued under Section 409A of the Code.

- (aa) “Six Month Payment Date” means the six (6) month anniversary of the Date of Termination.
- (bb) “Stock” shall mean the common stock, par value \$.01 per share, of L. B. Foster.
- (cc) “Subsidiary” shall mean any Company controlled entity.

ARTICLE 3. PARTICIPATION

3.1 Employees of the Company or any Affiliate who are determined by the Committee, as provided in Article 5, to be responsible for the continued growth, development and future financial success of the Company shall be eligible to participate in the Plan. Any such employee selected to participate in the Plan shall be referred to herein as “Participant”. The initial Participants and their respective Benefit Factors and Service Periods shall be selected and approved by the Committee. The Committee, in its discretion, may add Participants to the Plan and assign and approve for each of them their respective Benefit Factors and Service Periods, from time to time, and shall periodically review and update the list of Participants.

3.2 Notwithstanding the foregoing and subject to Section 7.2, the Committee may terminate a Participant’s participation in the Plan at any time, in its sole and absolute discretion. Subject to Section 7.2, a termination of Participant’s employment with the Company and any Affiliate except under the circumstances described in Section 4.1, shall automatically, with no further act on the part of the Company or any Affiliate, terminate any right of such Participant to participate, or receive any benefits under, this Plan.

ARTICLE 4. BENEFITS

4.1 Compensation and Benefits. Subject to Participant’s execution of the Release as provided in Section 4.3, in the event a Covered Change in Control Termination occurs with respect to a Participant, the Company shall pay and provide to the Participant:

(a) (i) any Base Pay earned, accrued or owing to him or her through the Date of Termination, (ii) any individual bonuses or individual incentive compensation not yet paid, but due and payable under the Company’s and/or its Affiliates’ plans for years prior to the year of Participant’s termination of employment, (iii) reimburse Participant for all reasonable and customary expenses incurred by Participant in performing services for the Company prior to the Date of Termination, and (iv) payment equal to the amount of accrued, but unused, vacation time.

(b) A lump sum cash payment equal to the applicable Benefit Factor multiplied by: (i) Participant’s Base Pay in effect as of the Date of Termination; plus (ii) the Participant’s target annual bonus opportunity under the L.B. Foster Company Executive Annual

Incentive Compensation Plan, or any successor executive annual bonus plan thereto, for the year in which the Date of Termination occurs multiplied by the Participant's average percentage of target achievement under such plan for the three full calendar years preceding the year in which the Date of Termination occurs or, if greater, the three full calendar years ended before the Change in Control; provided, however, that if the Participant was not employed for three full calendar years preceding the year in which the Date of Termination occurs, then the product of the Participant's target annual bonus opportunity shall be multiplied by the aggregate average percentage of target achievement of all participants under the plan during the relevant three year period for purposes of this subsection (b)(ii).

(c) To the extent permitted by applicable law and the Benefit Plans, the Company shall maintain Participant's paid coverage for medical, dental and vision insurance (through the payment of Participant's COBRA premiums) until the earlier to occur of: (i) Participant obtaining the age of 65, (ii) the date Participant is provided by another employer benefits substantially comparable to the benefits provided by the Benefit Plans (which Participant must provide prompt notice with respect thereto to the Company), or (iii) the expiration of the COBRA Continuation Period. During the applicable period of coverage described in the foregoing sentence, Participant shall be entitled to benefits, on substantially the same basis as would have otherwise been provided had Participant not been terminated and the Company will have no obligation to pay any benefits to, or premiums on behalf of, Participant after such period ends. To the extent that such benefits are available under the Benefit Plans and Participant had such coverage immediately prior to termination of employment, such continuation of benefits for Participant shall also cover Participant's dependents for so long as Participant is receiving such benefits under this Section 4.1(c). The COBRA Continuation Period for medical, dental and vision insurance under this Section 4.1(c) shall be deemed to run concurrent with the continuation period federally mandated by COBRA (generally 18 months), or any other legally mandated and applicable federal, state, or local coverage period for benefits provided to terminated employees under the health care plan(s).

(d) A lump sum cash payment of \$15,000 in order to cover the cost of outplacement assistance services for Participant and other expenses associated with seeking another employment position.

(e) All payments to be made pursuant to this Section 4.1 shall be made, in lump sum, no later than 60 days after the Date of Termination; provided, however, that all benefits due under Section 4.1(c) shall be provided as specified thereunder, and all payments due under Section 4.1(a)(ii) shall be paid no later than the time provided for under the applicable plan or arrangement in accordance with the applicable plan or arrangement terms.

4.2 Vesting of Equity. With respect to any equity awards or grants made by the Company or any Affiliate to a Participant under any applicable plan, program or agreement, upon a termination of Participant's employment with the Company and any Affiliate pursuant to Section 4.1, the Participant's rights to any such awards will continue to be governed by and subject to the terms and conditions of the applicable plan, program or agreement, and related award agreement, if any.

4.3 Release. Notwithstanding any other provision of the Plan to the contrary, no payment or benefit otherwise provided for under or by virtue of this Article 4 of the Plan shall be paid or otherwise made available unless and until the Participant executes and does not revoke (no later than 45 days after the Company has provided estimates to the Participant relating to the payments to be made under the Plan) a general release, non-disparagement and non-competition agreement, in a form provided by the Company and substantially as attached as Exhibit A hereto (the "Release"); provided, however, the Company reserves the right to require a different or modified form of release if necessary under then applicable law to effectuate the intent of a full general release to the greatest extent permitted by law. The Company shall provide written notice to the Participant of the obligation to provide a signed Release. If the Company determines that the Participant has not fully complied with any of the terms of the Release, the Company and any Affiliate may withhold benefits described in this Article 4 of the Plan not yet in pay status or discontinue the payment of such benefits and may require the Participant, by providing written notice of such repayment obligation to the Participant, to repay any portion or such benefits already received under the Plan. If the Company notifies a Participant that repayment of all or any portion of the benefits received under the Plan is required, such amounts shall be repaid within 30 calendar days of the date written notice is sent. Any remedy under this Section 4.3 shall be in addition to, and not in place of, any other remedy, including injunctive relief, that the Company and any Affiliate may have.

4.4 WARN. Notwithstanding any other provision of the Plan to the contrary, to the extent permitted by the Worker Adjustment and Retraining Notification Act ("WARN"), any benefit payable hereunder to a Participant as a consequence of the Participant's Covered Change in Control Termination shall be reduced by any amounts required to be paid under Section 2104 of WARN to such Participant in connection with such termination.

4.5 Termination of Employment on Account of Disability, Cause or Death. Notwithstanding anything in this Plan to the contrary, if the Participant's employment with the Company and any Affiliate terminates on account of Disability, Cause or because of his or her death, the Participant shall not be considered to have terminated employment under Section 4.1 of this Plan and shall not receive benefits pursuant to this Article 4 of the Plan. Notwithstanding, the Participant shall be entitled to receive disability benefits under any disability program then maintained by the Company or any Affiliate that covers the Participant as provided under the terms of such disability program.

ARTICLE 5. ADMINISTRATION

5.1 The Plan shall be administered by the Committee. The Committee shall have the full and absolute power, authority and sole discretion to construe, interpret and administer the Plan, to make factual determinations, to correct deficiencies therein, and to supply omissions, including resolving any ambiguity or uncertainty arising under or existing in the terms and provisions of the Plan, which determinations shall be final, conclusive, and binding on the Company, its Affiliates, the Participant and any and all interested parties.

5.2 The Committee may delegate any and all of its powers and responsibilities hereunder to other persons by formal resolution filed with, and accepted by, the Board. Any such delegation may be rescinded at any time by written notice from the Committee to the person to whom delegation is made.

5.3 The Committee shall have the full and absolute authority to employ and rely on such legal counsel, actuaries and accountants (which may also be those of the Company and its Affiliates), and other agents, designees and delegates, as it may deem advisable to assist in the administration of the Plan.

5.4 Payments to be made under this Plan are intended to be excepted from coverage under Section 409A of the Code and the regulations promulgated thereunder and shall be construed accordingly. Notwithstanding any provision of this Plan to the contrary, if any benefit provided under this Plan is subject to the provisions of Section 409A of the Code and the regulations issued thereunder (and not excepted therefrom), the provisions of the Plan shall be administered, interpreted and construed in a manner necessary to comply with Section 409A of the Code, the regulations issued thereunder (or disregarded to the extent such provision cannot be so administered, interpreted, or construed). Accordingly, if a Participant is a "specified employee for purposes of Section 409A" (as such term is defined in Section 409A of the Code, and determined in accordance with the procedures established by the Company) and a payment subject to Section 409A of the Code to the Participant is due upon Separation from Service, such payment shall be delayed for a period of six (6) months after the date the Participant Separates from Service (or, if earlier, the death of the Participant). The Company reserves the right to accelerate, delay or modify distributions to the extent permitted under Section 409A of the Code, the regulations and other binding guidance promulgated thereunder.

ARTICLE 6. PARACHUTE TAX PROVISIONS

6.1 The provisions of this Article 6 shall apply notwithstanding anything in this Plan to the contrary. In the event that it shall be determined that any payment or distribution to or for the benefit of the Participant, whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise (a "Payment"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, the Company and its Affiliates will apply a limitation on the Payment amount as specified in Section 6.2.

6.2 The aggregate present value of the Payments under Article 4 of this Plan ("Plan Payments") shall be reduced (but not below zero) to the Reduced Amount. The "Reduced Amount" shall be an amount expressed in present value which maximizes the aggregate present value of Plan Payments without causing any Payment to be subject to the limitation of deduction under Section 280G of the Code. For purposes of this Article 6, "present value" shall be determined in accordance with Section 280G(d)(4) of the Code.

6.3 Except as set forth in the next sentence, all determinations to be made under this Article 6 shall be made by the nationally recognized independent public accounting firm used by the Company immediately prior to the Change in Control ("Accounting Firm"), which Accounting Firm shall provide its determinations and any supporting calculations to the Company and the Participant within ten (10) days of the Participant's Date of Termination; provided, however, that, in the event the Accounting Firm will not or cannot make such a determination, the Company and its Affiliates shall select such other appropriate firm to make such determination. The value of the Participant's non-competition covenant under Section 4

of the Release shall be determined by independent appraisal by a nationally-recognized business valuation firm, and a portion of the Plan Payments shall, to the extent of that appraised value, be specifically allocated as reasonable compensation for such non-competition covenant and shall not be treated as a parachute payment.

6.4 All of the fees and expenses of the Accounting Firm in performing the determinations referred to in this Article 6 shall be borne solely by the Company and its Affiliates.

ARTICLE 7. AMENDMENT AND TERMINATION

7.1 Subject to Section 7.2, the Committee shall have the right in its discretion at any time to amend the Plan in any respect or to terminate the Plan prior to a Change in Control for any reason.

7.2 Notwithstanding any other provision of the Plan to the contrary, the Plan (including, without limitation, this Section 7.2) as applied to any particular Participant may not be amended or terminated at any time within the 90 day period immediately prior to, on or after the occurrence of a Change in Control in any manner adverse to the interests of such Participant, without the express written consent of such Participant, except in the event (a) of a termination of Participant's employment with the Company and its Affiliates under the circumstances described in Section 4.5 and/or (b) the Committee determines to amend the Plan in order to conform the provisions of the Plan with Section 409A of the Code, the regulations issued thereunder or an exception thereto, regardless of whether such modification, amendment, or termination of the Plan shall adversely affect the rights of a Participant under the Plan; and/or (c) of the Company's material noncompliance with any financial reporting requirement under the securities laws or other applicable law whereby the Company is required to prepare an accounting restatement applicable to any financial reporting period; and/or (d) a deterioration in the financial condition, revenues or profitability of the Company.

ARTICLE 8. EMPLOYMENT RIGHTS

Nothing expressed or implied in this Plan will create any right or duty on the part of the Company, any Affiliate or the Participant to have the Participant remain in the employment of the Company or any Affiliate.

ARTICLE 9. MISCELLANEOUS

9.1 (a) The Company and its Affiliates shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company and its Affiliates (taken as a whole) expressly to assume and agree to perform under the terms of the Plan in the same manner and to the same extent that the Company and its Affiliates would be required to perform it if no such succession had taken place (provided that such a requirement to perform which arises by operation of law shall be deemed to satisfy the requirements for such an express assumption and agreement), and in such event the Company and its Affiliates (as constituted prior to such succession) shall have no further obligation under or with respect to the Plan. Failure of the Company and its Affiliates to obtain such assumption and agreement with respect to any particular Participant

prior to the effectiveness of any such succession shall be a breach of the terms of the Plan with respect to such Participant and shall constitute Good Reason for purposes of this Plan. Effective upon a transfer or assignment of this Plan, the term "Company" shall mean any successor to the Company's business or assets as aforesaid which assumes and agrees (or is otherwise required) to perform the Plan. Nothing in this Section 9.1(a) shall be deemed to cause any event or condition which would otherwise constitute a Change in Control not to constitute a Change in Control.

(b) To the maximum extent permitted by law, the right of any Participant or other person to any amount under the Plan may not be subject to voluntary or involuntary anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment by creditors of the Participant or such other person.

(c) The terms of the Plan shall inure to the benefit of and be enforceable by the personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees of each Participant. If a Participant shall die while an amount would still be payable to the Participant hereunder if he or she had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of the Plan to the Participant's devisee, legatee or other designee or, if there is no such designee, their estate.

9.2 Except as expressly provided in Article 4, Participants shall not be required to mitigate damages or the amount of any payment or benefit provided for under the Plan by seeking other employment or otherwise, nor will any payments or benefits hereunder be subject to offset in the event a Participant does mitigate.

9.3 Notwithstanding any provision of this Plan to the contrary, the Company shall not be liable for, and nothing provided or contained in this Plan will be construed to obligate or cause the Company to be liable for, any tax, interest or penalties imposed on a Participant related to or arising with respect to any violation of Section 409A of the Code.

9.4 All notices under the Plan shall be in writing, and if to the Company or the Committee, shall be delivered to the General Counsel of the L. B. Foster Company, or mailed to the L. B. Foster Company's principal office, addressed to the attention of the General Counsel of the L. B. Foster Company; and if to a Participant (or the estate or beneficiary thereof), shall be delivered personally or mailed to the Participant at the address appearing in the records of the Company and its Affiliates.

9.5 Unless otherwise determined by the Company in an applicable plan or arrangement, no amounts payable hereunder shall be deemed salary or compensation for the purpose of computing benefits under any employee benefit plan or other arrangement of the Company and/or any Affiliate for the benefit of employees unless the Company shall determine otherwise.

9.6 Participation in the Plan shall not limit any right of a Participant to receive any payments or benefits under any employee benefit or executive compensation plan of the Company and/or its Affiliates, initially adopted as of or after the Effective Date; provided that in no event shall any Participant be entitled to any payment or benefit under the Plan which duplicates a payment or benefit received or receivable by the Participant under any severance or similar plan or policy of the Company and/or its Affiliates.

9.7 Any payments hereunder shall be made out of the general assets of the Company. Each Participant shall have the status of general unsecured creditors of the Company, and the Plan constitutes a mere promise by the Company to make payments under the Plan in the future as and to the extent provided herein.

9.8 The Company shall be entitled to withhold from any payments or deemed payments any amount of tax withholding required by law.

9.9 The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan which shall remain in full force and effect.

9.10 The use of captions in the Plan is for convenience. The captions are not intended to and do not provide substantive rights.

9.11 Except as otherwise preempted by the laws of the United States, the Plan shall be construed, administered and enforced according to the laws of the Commonwealth of Pennsylvania, without regard to principles of conflicts of law, and any action relating to this Plan must be brought in state and federal courts located in the Commonwealth of Pennsylvania.

ARTICLE 10. CLAIMS PROCEDURE

If a Participant believes that he or she is eligible for benefits and has not been so notified, such Participant should submit a written request for benefits to the Plan Administrator. Such Participant must take such action no later than 60 days after Separation from Service.

If Participant Claim is Denied

If all or part of a Participant's claim for benefits is denied, such Participant will receive written notice of the denial from the Plan Administrator within 60 days after such Participant has applied for a benefit. This notice will include:

- * the specific reason(s) for the denial;
- * specific reference to the specific Plan provisions on which the denial is based;
- * a description of any additional material or information which must be submitted to perfect the claim, and an explanation of why such material or information is necessary; and
- * an explanation of the Plan's review procedure.

If a Participant disagrees with the decision, such Participant may file a written notice to have such Participant's claim reviewed by the Plan Administrator. The Participant must file the notice for review within 60 days after the denial was given or mailed to such Participant. The Participant should file one copy of the notice with the Plan Administrator. In connection with the review of Participant's claim, Participant (or such Participant's authorized representative) will be given the opportunity to review all documentation pertaining to the decision, and to submit issues and comments in writing.

Participant's claim will be reconsidered and Participant will receive written notice of the decision within 60 days after receiving such Participant's application for review. If special circumstances require an extension, Participant will receive written notice to that effect; in this case, Participant will be informed of the final decision within 120 days. This decision will be in writing and will include the reason for the decision, with specific reference to pertinent Plan provisions. All interpretations, determinations and decisions of the Plan Administrator will be final and binding.

If a Participant's claim for benefits is denied in whole or in part, such Participant may file suit in a state or federal court having jurisdiction over the parties and the subject matter of the dispute. *Notwithstanding, before such Participant may file suit in a state or federal court, Participant must exhaust the Plan's administrative claims procedure. If any such judicial proceeding is undertaken, the evidence presented will be strictly limited to the evidence timely presented to the Plan Administrator, and the proceeding will be limited to a review of the Plan Administrator's decision, under an unmodified abuse-of-discretion standard, such that the Plan Administrator's decision will be overturned only if it is clearly not supported by the evidence timely presented to the Plan Administrator, or the Plan Administrator failed to comply with the procedures required by the Plan, and in the judicial proceeding, the court will not be free to substitute its own judgment for that of the Plan Administrator in determining eligibility for Plan benefits. In addition, any such judicial or administrative proceeding must be filed within six (6) months after the Plan Administrator's final decision.*

ARTICLE 11. STATEMENT OF ERISA RIGHTS

As a Participant in the Plan, each Participant is entitled to certain rights and protections under ERISA. ERISA provides that all Participants shall be entitled to:

Receive Information About the Plan and Benefits

Examine, without charge, at the Plan Administrator's office, all documents governing the Plan.

Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan and an updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of Participants and beneficiaries. No one, including a Participant's employer or any other person, may fire such Participant or otherwise discriminate against a Participant in any way to prevent such Participant from obtaining a welfare benefit or exercising such Participant's rights under ERISA. However, this rule neither guarantees continued employment, nor affects the Company's right to terminate a Participant's employment for other reasons.

Enforce Participant Rights

If a Participant's claim for a benefit is denied or ignored, in whole or in part, a Participant has a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps a Participant can take to enforce the above rights. For instance, if a Participant requests a copy of Plan documents and does not receive them within 30 days, such Participant may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay such Participant up to \$110 a day until Participant receives the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If a Participant has a claim for benefits which is denied or ignored, in whole or in part, such Participant may file suit in a state or Federal court. If a Participant is discriminated against for asserting such Participant's rights, such Participant may seek assistance from the U.S. Department of Labor, or may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If a Participant is successful the court may order the person such Participant has sued to pay these costs and fees. If a Participant loses, the court may order such Participant to pay these costs and fees, for example, if it finds such Participant's claim is frivolous.

Assistance with Participant Question

If a Participant has any questions about the Plan, such Participant should contact the Plan Administrator. If a Participant has any questions about this statement or about such Participant's rights under ERISA, or if a Participant needs assistance in obtaining documents from the Plan Administrator, such Participant should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in such Participant's telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. A Participant may also obtain certain publications about such Participant's rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

ARTICLE 12. SUMMARY INFORMATION

Name of Plan: The name of the plan under which benefits are provided is the L. B. Foster Company Key Employee Separation Plan.

Plan Sponsor: The Sponsor of the Plan is:

L. B. Foster Company
415 Holiday Drive
Pittsburgh, PA 15220

Plan Administrator: The Plan Administrator of the Plan is:

The Compensation Committee
L. B. Foster Company
415 Holiday Drive
Pittsburgh, PA 15220

Employer Identification Number and Plan Number: The Employer Identification Number (EIN) assigned to the Plan Sponsor by the Internal Revenue Service is 25-1324733.

Type of Plan: Severance Pay Employee Welfare Benefit Plan.

Type of Administration: The Plan is self-administered.

Funding: Benefits payable under the Plan are provided from the general assets of the Company.

Agent for Service of Legal Process: For disputes arising under the Plan, service of legal process may be made upon the General Counsel of Plan Sponsor.

Plan Year: The Plan's fiscal records are kept on a calendar year basis (January 1 to December 31).

EXHIBIT A

[Sample Provisions - The Company reserves the right to require a different or modified form of release.]

**GENERAL RELEASE, NON-DISPARAGEMENT AND NON-COMPETITION
AGREEMENT**

THIS GENERAL RELEASE, NON-DISPARAGEMENT AND NON-COMPETITION AGREEMENT (the "Agreement") is made as of this _____ day of _____, _____, by and between _____ (the "Company") and _____ ("Employee").

WHEREAS, the Employee formerly was employed by the Company;

WHEREAS, Employee was designated by the _____ (the "_____") of L. B. Foster Company to receive certain severance benefits in the event of a termination of Employee's employment under the circumstances set forth in the Key Employee Separation Plan (the "Plan") and;

WHEREAS, an express condition of the Employee's entitlement to the payments and benefits under the Plan is the execution without revocation of this Agreement; and

WHEREAS, the Employee and the Company mutually desire to effectuate a full and final general release of all claims and rights the Employee may have against the Company to the fullest extent permitted by law, excepting only those rights and claims that cannot, as a matter of law, be released with this Agreement; and

WHEREAS, the Employee and the Company mutually desire to terminate the Employee's employment effective _____, _____ ("Date of Termination"); and

WHEREAS, the Company advises the Employee to consult with an attorney before signing this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED by and between the Employee and the Company as follows:

1. (a) To the fullest extent permitted by law, the Employee, for and in consideration of the commitments of the Company as set forth in paragraph 7 of this Agreement and the Plan, and intending to be legally bound, does hereby REMISE, RELEASE AND FOREVER DISCHARGE the Company, its affiliates, predecessors, subsidiaries and parents, and their present or former officers, directors, managers, stockholders, employees, members and agents, and its and their respective successors, assigns, heirs, executors, and administrators and the current and former trustees or administrators of any pension or other benefit plan applicable to the employees or former employees of the Company (collectively, "Releasees") from all causes of action, suits, debts, claims and demands whatsoever in law or in equity, which the Employee ever had, now has, or hereafter may have, whether known or unknown, or which the Employee's heirs, executors, or administrators may have, by reason of any matter, cause or thing whatsoever, from any time prior to the date of this Agreement, and particularly, but without

limitation of the foregoing general terms, any claims arising from or relating in any way to the Employee's employment relationship with the Company, the terms and conditions of that employment relationship, and the termination of that employment relationship, including, but not limited to, any claims arising under the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Employee Retirement Income Security Act of 1974, and any other claims under any federal, state or local common law, statutory, or regulatory provision, now or hereafter recognized, and any claims for attorneys' fees and costs. This Agreement is effective without regard to the legal nature of the claims raised and without regard to whether any such claims are based upon tort, equity, implied or express contract or discrimination of any sort.

(b) To the fullest extent permitted by law, and subject to the provisions of paragraph 12 and paragraph 14 below, the Employee represents and affirms that the Employee has not filed or caused to be filed on the Employee's behalf any charge, complaint or claim for relief against the Company or any Releasee and, to the best of the Employee's knowledge and belief, no outstanding charges, complaints or claims for relief have been filed or asserted against the Company or any Releasee on the Employee's behalf; and the Employee has not reported any improper, unethical or illegal conduct or activities to any supervisor, manager, department head, human resources representative, agent or other representative of the Company or any Releasee, to any member of the Company's or any Releasee's legal or compliance departments, or to the ethics hotline, and has no knowledge of any such improper, unethical or illegal conduct or activities. In the event that there is outstanding any such charge, complaint or claim for relief, Employee agrees to seek its immediate withdrawal and dismissal with prejudice. In the event that for any reason said charge, complaint or claim for relief cannot be immediately withdrawn with prejudice, Employee shall execute such other papers or documents as the Company's counsel determines may be necessary from time to time to have said charge, complaint or claim for relief dismissed with prejudice at the earliest appropriate time. Nothing herein shall prevent Employee from testifying in any cause of action when required to do so by process of law. Employee shall promptly inform the Company if called upon to testify on matters relating to the Company.

(c) Employee does not waive any right to file a charge with the Equal Employment Opportunity Commission ("EEOC") or participate in an investigation or proceeding conducted by the EEOC, but explicitly waives any right to file a personal lawsuit or receive monetary damages that the EEOC might recover if said charge results in an EEOC lawsuit against the Company or Releasees.

(d) Employee does not waive the right to challenge the validity of this Agreement as a release of claims arising under the federal Age Discrimination in Employment Act.

(e) Employee does not waive rights or claims that may arise after the date this Agreement is executed.

2. In consideration of the Company's agreements as set forth in paragraph 7 herein, the Employee agrees to comply with the limitations set forth in Sections 3 and 4 of this Agreement.

3. Ownership and Protection of Intellectual Property and Confidential Information.

(a) All information, ideas, concepts, improvements, innovations, developments, methods, processes, designs, analyses, drawings, reports, discoveries, and inventions, whether patentable or not or reduced to practice, which are conceived, made, developed or acquired by Employee, individually or in conjunction with others, during Employee's employment by the Company or any of its affiliates, both before and after the date hereof (whether during business hours or otherwise and whether on the Company's premises or otherwise) which relate to the business, products or services of the Company or its affiliates (including, without limitation, all such information relating to corporate opportunities, research, financial and sales data, pricing and trading terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or their requirements, the identity of key contacts within the customer's organizations or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names, marks, and any copyrightable work, trade mark, trade secret or other intellectual property rights (whether or not composing confidential information, and all writings or materials of any type embodying any of such items (collectively, "Work Product"), shall be the sole and exclusive property of the Company or a Company affiliate, as the case may be, and shall be treated as "work for hire." It is recognized that Employee is an experienced executive in the business of the Company and its affiliates and through several decades of prior work in the industry acquired and retains knowledge, contacts, and information which are not bound by this Section 3.

(b) Employee shall promptly and fully disclose all Work Product to the Company and shall cooperate and perform all actions reasonably requested by the Company (whether during or after the term of employment) to establish, confirm and protect the Company's and/or its affiliates' right, title and interest in such Work Product. Without limiting the generality of the foregoing, Employee agrees to assist the Company, at the Company's expense, to secure the Company's and its affiliates' rights in the Work Product in any and all countries, including the execution by Employee of all applications and all other instruments and documents which the Company and/or its affiliates shall deem necessary in order to apply for and obtain rights in such Work Product and in order to assign and convey to the Company and/or its affiliates the sole and exclusive right, title and interest in and to such Work Product. If the Company is unable because of Employee's mental or physical incapacity or for any other reason (including Employee's refusal to do so after request therefor is made by the Company) to secure Employee's signature to apply for or to pursue any application for any United States or foreign patents or copyright registrations covering Work Product belonging to or assigned to the Company and/or its affiliates pursuant to Section 3(a) above, then Employee by this Agreement irrevocably designates and appoints the Company and its duly authorized officers and agents as Employee's agent and attorney-in-fact to act for and in Employee's behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of patents or copyright registrations thereon with the same legal force and effect as if executed by Employee. Employee agrees not to apply for or pursue any application for any United States or foreign patents or copyright registrations covering any Work Product other than pursuant to this paragraph in circumstances where such patents or copyright registrations are or have been or are required to be assigned to the Company or any of its affiliates.

(c) Employee acknowledges that the businesses of the Company and its affiliates are highly competitive and that their strategies, methods, books, records, and documents, their technical information concerning their products, equipment, services, and processes, procurement procedures and pricing techniques, the names of and other information (such as credit and financial data) concerning their former, present or prospective customers and business affiliates, all comprise confidential business information and trade secrets which are valuable, special, and unique assets which the Company and/or its affiliates use in their business to obtain a competitive advantage over their competitors. Employee further acknowledges that protection of such confidential business information and trade secrets against unauthorized disclosure and use is of critical importance to the Company and its affiliates in maintaining their competitive position. Employee acknowledges that by reason of Employee's duties to, and association with, the Company and its affiliates, Employee has had and will have access to, and has and will become informed of, confidential business information which is a competitive asset of the Company and its affiliates. Employee hereby agrees that Employee will not, at any time during or after his or her employment by the Company, make any unauthorized disclosure of any confidential business information or trade secrets of the Company or its affiliates, or make any use thereof, except in the carrying out of his employment responsibilities hereunder. Employee shall take all necessary and appropriate steps to safeguard confidential business information and protect it against disclosure, misappropriation, misuse, loss and theft. Confidential business information shall not include information in the public domain (but only if the same becomes part of the public domain through a means other than a disclosure prohibited hereunder). The above notwithstanding, a disclosure shall not be unauthorized if (i) it is required by law or by a court of competent jurisdiction or (ii) it is in connection with any judicial, arbitration, dispute resolution or other legal proceeding in which Employee's legal rights and obligations as an employee or under this Agreement are at issue; provided, however, that Employee shall, to the extent practicable and lawful in any such events, give prior notice to the Company of his or her intent to disclose any such confidential business information in such context so as to allow the Company or its affiliates an opportunity (which Employee will not oppose) to obtain such protective orders or similar relief with respect thereto as may be deemed appropriate. Any information not specifically related to the Company and its affiliates would not be considered confidential to the Company and its affiliates.

(d) All written materials, records, and other documents made by, or coming into the possession of, Employee during the period of Employee's employment by the Company which contain or disclose confidential business information or trade secrets of the Company or its affiliates, or which relate to Employee's Work Product described in paragraph 3(a) above, shall be and remain the property of the Company, or its affiliates, as the case may be. Upon termination of Employee's employment, for any reason, Employee promptly shall deliver the same, and all copies thereof, to the Company.

4. Covenant Not To Compete.

In the event of the Employee's Covered Change in Control Termination (as defined in the Plan), the Company's obligations to provide the payments and benefits set forth in Article 4 of the Plan shall be expressly conditioned upon the Employee's covenants of confidentiality, not to compete and not to solicit as provided herein. In the event the Employee breaches his obligations to the Company as provided herein, the Company's obligations to provide the payments and benefits set forth in Article 4 of the Plan shall cease without prejudice to any other remedies that may be available to the Company.

(a) Employee agrees that, for a period of one year following Employee's Date of Termination (the "Non-Compete Period"), he or she will not, in association with or as an officer, principal, manager, member, advisor, agent, partner, director, material stockholder, employee or consultant of any corporation (or sub-unit, in the case of a diversified business) or other enterprise, entity or association, work on the acquisition or development of, or engage in any line of business, property or project which is, directly or indirectly, competitive with any business that the Company or any of its affiliates engages in or is planning to engage in during the term of Employee's employment with the Company or any affiliate of the Company, including but not limited to, the mining, processing, transportation, distribution, trading and sale of synfuel, coal and coal byproducts (the "Business"). Such restriction shall cover Employee's activities anywhere in the contiguous United States.

(b) During the Non-Compete Period, Employee will not solicit or induce any person who is or was employed by any of the Company or its affiliates at any time during such term or period (i) to interfere with the activities or businesses of the Company or any of its affiliates or (ii) to discontinue his or her employment with the Company or any of its affiliates.

(c) During the Non-Compete Period, Employee will not, directly or indirectly, influence or attempt to influence any customers, distributors or suppliers of the Company or any of its affiliates to divert their business to any competitor of the Company or any of its affiliates or in any way interfere with the relationship between any such customer, distributor or supplier and the Company and/or any of its affiliates (including, without limitation, making any negative statements or communications about the Company and its affiliates). During such Non-Compete Period, Employee will not, directly or indirectly, acquire or attempt to acquire any business in the contiguous United States to which the Company or any of its affiliates, prior to the Employee's Date of Termination, has made an acquisition proposal relating to the possible acquisition of such business by the Company or any of its affiliates, or has planned, discussed or contemplated making such an acquisition proposal (such business, an "Acquisition Target"), or take any action to induce or attempt to induce any Acquisition Target to consummate any acquisition, investment or other similar transaction with any person other than the Company or any of its affiliates.

(d) Employee understands that the provisions of Sections 4(a), 4(b) and 4(c) hereof may limit his ability to earn a livelihood in a business in which he or she is involved, but as a member of the management group of the Company and its affiliates he or she nevertheless agrees and hereby acknowledges that: (i) such provisions do not impose a greater restraint than is necessary to protect the goodwill or other business interests of the Company and any its affiliates; (ii) such provisions contain reasonable limitations as to time, scope of activity, and geographical area to be restrained; and (iii) the consideration provided hereunder, including without limitation, any amounts or benefits provided under Article 4 of the Plan, is sufficient to compensate Employee for the restrictions contained in Sections 4(a), 4(b) and 4(c) hereof. In consideration of the foregoing and in light of Employee's education, skills and abilities, Employee agrees that he will not assert that, and it should not be considered that, any provisions of Sections 4(a), 4(b) and 4(c) hereof otherwise are void, voidable or unenforceable or should be voided or held unenforceable.

(e) If, at the time of enforcement of Sections 3 or 4 of this Agreement, a court shall hold that the duration, scope, or area restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area and that the court shall be allowed and directed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law. Employee acknowledges that he or she is a member of the Company's and its affiliates' management group with access to the Company's and its affiliates' confidential business information and his services are unique to the Company and its affiliates. Employee therefore agrees that the remedy at law for any breach by him of any of the covenants and agreements set forth in Sections 3 and 4 hereof will be inadequate and that in the event of any such breach, the Company and its affiliates may, in addition to the other remedies which may be available to them at law, apply to any court of competent jurisdiction to obtain specific performance and/or injunctive relief prohibiting Employee (together with all those persons associated with him or her) from the breach of such covenants and agreements and to enforce, or prevent any violations of, the provisions of this Agreement. In addition, in the event of a breach or violation by Employee of this Section 4, the Non-Compete Period set forth in this paragraph shall be tolled until such breach or violation has been cured.

(f) Each of the covenants of Sections 3 and 4 hereof are given by Employee as part of the consideration for the benefits to be received by Employee under the Plan and as an inducement to the Company to grant such benefits under the Plan and accept the obligations thereunder.

(g) Provisions of Section 4 hereof shall not be binding on Employee if the Company fails to perform any material obligation under the Plan, including, without limitation, the failure of the Company to make timely payments of monies due to Employee under Article 4 of the Plan; provided, that

(i) Employee has notified the Company in writing within 30 days of the date of the failure of the Company to perform such material obligation and (ii) such failure remains uncorrected and/or uncontested by the Company for 15 days following the date of such notice.

5. The Employee further agrees and recognizes that the Employee's previous employment with the Company has been permanently and irrevocably severed the Employee's employment relationship with the Company, that the Employee shall not seek employment with the Company or any affiliated entity at any time in the future, and that the Company has no obligation to employ him or her in the future. Employee agrees that if he submits an application for employment with the Company or any affiliated entity, such application may be summarily rejected without consideration and without notice to Employee.

6. The Employee further agrees that the Employee will not disparage or subvert the Company or any Releasee, or make any statement reflecting negatively on the Company, its affiliated corporations or entities, or any of their officers, directors, managers, members, employees, agents or representatives, including, but not limited to, any matters relating to the operation or management of the Company or any Releasee, the Employee's employment and the termination of the Employee's employment, irrespective of the truthfulness or falsity of such statement.

7. In consideration for the Employee's promises, as set forth herein, the Company agrees to pay or provide to or for the Employee the payments and benefits described in the Plan, the provisions of which are incorporated herein by reference. Except as set forth in this Agreement, it is expressly agreed and understood that Releasees do not have, and will not have, any obligations to provide the Employee at any time in the future with any payments, benefits or considerations other than those recited in this paragraph, or those required by law, other than under the terms of any benefit plans which provide benefits or payments to former employees according to their terms.

8. The Employee understands and agrees that the payments, benefits and agreements provided in this Agreement are being provided to him or her in consideration for the Employee's acceptance and execution of, and in reliance upon the Employee's representations in, this Agreement. The Employee acknowledges that if the Employee had not executed this Agreement containing a release of all claims against the Releasees, including, without limitation, the covenants relating to confidentiality, non-competition and non-disparagement, the Employee would not have been entitled to the payments and benefits set forth in the Plan.

9. The Employee acknowledges and agrees that this Agreement and the Plan supersede any other agreement the Employee has with the Company or any Releasee as to the subjects set forth in this Agreement. To the extent Employee has entered into any other enforceable written agreement with the Company or any Releasee that contains provisions that are outside the scope of this Agreement and the Plan and are not in direct conflict with the provisions in this Agreement or the Plan, the terms in this Agreement and the Plan shall not supercede, but shall be in addition to, any other such agreement. Except as set forth expressly herein, no promises or representations have been made to Employee in connection with the termination of the Employee's employment agreement, if any, or offer letter, if any, with the Company, or the terms of this Agreement or the Plan.

10 The Employee agrees not to disclose the terms of this Agreement or the Plan to anyone, except the Employee's spouse, attorney and, as necessary, tax/financial advisor. It is expressly understood that any violation of the confidentiality obligation imposed hereunder constitutes a material breach of this Agreement.

11. The Employee represents that the Employee does not, without the Company's prior written consent, presently have in the Employee's possession any records and business documents, whether on computer or hard copy, and other materials (including but not limited to computer disks and tapes, computer programs and software, office keys, correspondence, files, customer lists, technical information, customer information, pricing information, business strategies and plans, sales records and all copies thereof) (collectively, the "Corporate Records") provided by the Company and/or its predecessors, subsidiaries or affiliates or obtained as a result of the Employee's prior employment with the Company and/or its predecessors, subsidiaries or affiliates, or created by the Employee while employed by or rendering services to the Company and/or its predecessors, subsidiaries or affiliates. The Employee acknowledges that all such Corporate Records are the property of the Company. In addition, the Employee shall promptly return in good condition any and all Company owned equipment or property, including, but not

limited to, automobiles, personal data assistants, facsimile machines, copy machines, pagers, credit cards, cellular telephone equipment, business cards, laptops, computers, and any other items requested by the Company. As of the Date of Termination, the Company will make arrangements to remove, terminate or transfer any and all business communication lines including network access, cellular phone, fax line and other business numbers.

12. Nothing in this Agreement shall prohibit or restrict the Employee from: (i) making any disclosure of information required by law; (ii) providing information to, or testifying or otherwise assisting in any investigation or proceeding brought by, any federal regulatory or law enforcement agency or legislative body, any self-regulatory organization, or the Company's designated legal, compliance or human resources officers; or (iii) filing, testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal, state or municipal law relating to fraud, or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization.

13. The parties agree and acknowledge that the agreement by the Company described herein, and the settlement and termination of any asserted or unasserted claims against the Releasees, are not and shall not be construed to be an admission of any violation of any federal, state or local statute or regulation, or of any duty owed by any of the Releasees to the Employee.

14. The Employee agrees and recognizes that should the Employee breach any of the obligations or covenants set forth in this Agreement, the Company will have no further obligation to provide the Employee with the consideration set forth herein, and will have the right to seek repayment of all consideration paid up to the time of any such breach. Further, the Employee acknowledges in the event of a breach of this Agreement, Releasees may seek any and all appropriate relief for any such breach, including equitable relief and/or money damages, attorneys' fees and costs. Notwithstanding the foregoing, in the event the Company fails to perform any material obligation under the Plan, including, without limitation, the failure of the Company to make timely payments of monies due to Employee under Article 4 of the Plan, this Release shall be null and void and Employee shall have the right to pursue any and all appropriate relief for any such failure, including monetary damages, attorneys' fees and costs; provided, that (i) Employee has notified the Company in writing within 30 days of the date of the failure of the Company to perform such material obligation and (ii) such failure remains uncorrected and/or uncontested by the Company for 15 days following the date of such notice.

15. The Employee further agrees that the Company shall be entitled to preliminary and permanent injunctive relief, without the necessity of proving actual damages, as well as to an equitable accounting of all earnings, profits and other benefits arising from any violations of this Agreement, which rights shall be cumulative and in addition to any other rights or remedies to which the Company may be entitled.

16. This Agreement and the obligations of the parties hereunder shall be construed, interpreted and enforced in accordance with the laws of the Commonwealth of Pennsylvania.

17. The parties agree that this Agreement shall be deemed to have been made and entered into in Pittsburgh, Pennsylvania. Jurisdiction and venue in any proceeding by the Company or Employee to enforce their rights hereunder is specifically limited to any court geographically located in Pennsylvania.

18. The Employee certifies and acknowledges as follows:

(a) That the Employee has read the terms of this Agreement, and that the Employee understands its terms and effects, including the fact that the Employee has agreed to RELEASE AND FOREVER DISCHARGE the Releasees from any legal action arising out of the Employee's employment relationship with the Company and the termination of that employment relationship; and

(b) That the Employee has signed this Agreement voluntarily and knowingly in exchange for the consideration described herein, which the Employee acknowledges is adequate and satisfactory to him and which the Employee acknowledges is in addition to any other benefits to which the Employee is otherwise entitled; and

(c) That the Company advises the Employee (in writing) to consult with an attorney before signing this Agreement; and

(d) That the Employee does not waive rights or claims that may arise after the date this Agreement is executed; and

(e) That the Company has provided Employee with a period of forty-five (45) days within which to consider this Agreement, and that the Employee has signed on the date indicated below after concluding that this General Release, Non-Disparagement and Non-Competition Agreement is satisfactory to Employee; and

(f) The Employee acknowledges that this Agreement may be revoked by him within seven (7) days after execution, and it shall not become effective until the expiration of such seven (7) day revocation period. In the event of a timely revocation by the Employee, this Agreement will be deemed null and void and the Company will have no obligations hereunder.

[SIGNATURE PAGE FOLLOWS]

Intending to be legally bound hereby, the Employee and the Company executed the foregoing General Release, Non-Disparagement and Non-Competition Agreement this _____ day of _____, _____.

EMPLOYEE

Witness: _____

[COMPANY]

By: _____
Name: _____
Title: _____

Witness: _____

SUBSIDIARIES OF L.B. FOSTER COMPANY

(as of December 31, 2012)

Name of Corporation

Coal Train Holdings, Inc.
 CXT Incorporated
 L.B. Foster Rail Technologies, Corp
 Kelsan Technologies (Europe)
 Portec Rail Nova Scotia Company
 L.B. Foster Rail Technologies, Inc.
 L.B. Foster Rail Technologies (UK) Limited
 L.B. Foster Rail Technologies Canada LTD
 Salient Systems, Inc.

**Jurisdiction of
Incorporation**

Delaware
 Delaware
 British Columbia, Canada
 United Kingdom
 Nova Scotia, Canada
 West Virginia
 United Kingdom
 Quebec, Canada
 Ohio

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Forms S-8 No. 33-17073, 33-35152, 33-79450, 333-65885, 333-81535, 333-60488, 333-135002, 333-159470, and 333-180118) of our reports dated March 8, 2013, with respect to the consolidated financial statements and schedule of L. B. Foster Company and Subsidiaries and the effectiveness of internal control over financial reporting of L. B. Foster Company and Subsidiaries, included in this Annual Report (Form 10-K) for the year ended December 31, 2012.

/s/ Ernst & Young LLP

Ernst & Young LLP

Pittsburgh, Pennsylvania
March 8, 2013

**Certification under Section 302 of the
Sarbanes-Oxley Act of 2002**

I, Robert P. Bauer, President and Chief Executive Officer of L. B. Foster Company, certify that:

1. I have reviewed this Annual Report on Form 10-K of L. B. Foster Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2013

/s/ Robert P. Bauer

Name: Robert P. Bauer

Title: President and Chief Executive Officer

**Certification under Section 302 of the
Sarbanes-Oxley Act of 2002**

I, David J. Russo, Senior Vice President, Chief Financial Officer and Treasurer of L. B. Foster Company, certify that:

1. I have reviewed this Annual Report on Form 10-K of L. B. Foster Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2013

/s/ David J. Russo

Name: David J. Russo
Title: Senior Vice President,
Chief Financial Officer and Treasurer

**CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of L. B. Foster Company (the "Company") on Form 10-K for the period ended December 31, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 8, 2013

/s/ Robert P. Bauer

Name: Robert P. Bauer

Title: President and Chief Executive Officer

Date: March 8, 2013

/s/ David J. Russo

Name: David J. Russo

Title: Senior Vice President,
Chief Financial Officer and Treasurer