UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

[X] **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 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	**25-1324733**
(State of Incorporation)	(I. R. S. Employer Identification No.)
415 Holiday Drive, Pittsburgh, Pennsylvania	**15220**
(Address of principal executive offices)	(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 of 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for 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 [X]	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 such shorter period that the registrant was required to submit and post such files).	Yes [X]	No [ ]

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

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

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

Class	Outstanding at October 28, 2012
Common Stock, Par Value $.01	10,143,398 Shares

L.B. FOSTER COMPANY AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

L. B. FOSTER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

		September 30, 2012	December 31, 2011
		(Unaudited)	
ASSETS			
Current Assets:			
Cash and cash equivalents	$	100,658 $	73,727
Accounts and notes receivable:			
Trade		85,382	64,562
Other		612	1,934
		85,994	66,496
Inventories		90,928	89,464
Current deferred tax assets		7,386	-
Prepaid income taxes		504	3,684
Other current assets		2,978	1,758
Current assets of discontinued operations		1,333	4,864
Total Current Assets		289,781	239,993
Property, Plant Equipment - At Cost		123,087	124,296
Less Accumulated Depreciation		(78,887)	(78,459)
		44,200	45,837
Other Assets:			
Goodwill		41,237	41,237
Other intangibles - net		40,974	42,871
Investments		4,137	3,495
Other assets		1,361	1,415
Assets of discontinued operations		-	5,046
TOTAL ASSETS	$	421,690 $	379,894
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Current maturities of long-term debt	$	362 $	2,384
Accounts payable - trade		59,259	49,213
Deferred revenue		8,521	6,833
Accrued payroll and employee benefits		8,100	9,483
Current deferred tax liabilities		-	759
Accrued warranty provision		28,113	6,632
Other accrued liabilities		11,570	8,134
Liabilities of discontinued operations		263	1,294
Total Current Liabilities		116,188	84,732
Long-Term Debt		33	51
Deferred Tax Liabilities		11,017	11,708
Other Long-Term Liabilities		13,074	13,588
STOCKHOLDERS' EQUITY:			
Common stock, issued 10,142,019 shares at 9/30/2012 and 10,073,403 shares at 12/31/2011		111	111
Paid-in capital		45,753	47,349
Retained earnings		263,904	255,152
Treasury stock - at cost, Common Stock, 973,760 shares at 9/30/2012 and 1,042,376 shares at 12/31/2011		(25,719)	(28,169)
Accumulated other comprehensive loss		(2,671)	(4,628)
Total Stockholders' Equity		281,378	269,815
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	421,690 $	379,894

See Notes to Condensed Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(Unaudited)		(Unaudited)	
Net Sales	$ 170,346	$ 158,323	$ 447,817	$ 441,602
Cost of Goods Sold	139,634	128,728	383,117	369,716
Gross Profit	30,712	29,595	64,700	71,886
Selling and Administrative Expenses	16,581	16,789	50,142	47,897
Amortization Expense	703	699	2,097	2,096
Interest Expense	141	170	405	443
Interest Income	(126)	(74)	(319)	(224)
Equity in Income of Nonconsolidated Investment	(310)	(287)	(643)	(570)
Loss/(Gain) on Foreign Exchange	283	(711)	457	(497)
Other Expense/(Income)	329	(650)	(453)	(822)
	17,601	15,936	51,686	48,323
Income From Continuing Operations Before Income Taxes	13,111	13,659	13,014	23,563
Income Tax Expense	4,647	4,308	4,892	7,313
Income From Continuing Operations	8,464	9,351	8,122	16,250
Discontinued Operations:				
(Loss) Income From Discontinued Operations Before Income Taxes, including Gain on Sale	(343)	604	3,805	839
Income Tax (Benefit) Expense	(104)	215	2,403	298
(Loss) Income From Discontinued Operations	(239)	389	1,402	541
Net Income	$ 8,225	$ 9,740	$ 9,524	$ 16,791
Basic Earnings (Loss) Per Common Share:				
From Continuing Operations	$ 0.83	$ 0.92	$ 0.80	$ 1.58
From Discontinued Operations	(0.02)	0.04	0.14	0.05
Basic Earnings Per Common Share	$ 0.81	$ 0.96	$ 0.94	$ 1.64
Diluted Earnings (Loss) Per Common Share:				
From Continuing Operations	$ 0.83	$ 0.91	$ 0.80	$ 1.57
From Discontinued Operations	(0.02)	0.04	0.14	0.05
Diluted Earnings Per Common Share	$ 0.81	$ 0.95	$ 0.93	$ 1.62
Dividends Paid Per Common Share	$ 0.025	$ 0.025	$ 0.075	$ 0.075

See Notes to Condensed Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(Unaudited)		(Unaudited)	
Net Income	$ 8,225	$ 9,740	$ 9,524	$ 16,791
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	927	(2,338)	1,928	(1,426)
Unrealized derivative loss on cash flow hedges	29	-	29	-
	956	(2,338)	1,957	(1,426)
Comprehensive Income	$ 9,181	$ 7,402	$ 11,481	$ 15,365

See Notes to Condensed Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Nine Months Ended September 30, 2012	2011
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income from continuing operations	$ 8,122	$ 16,250
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Deferred income taxes	(8,797)	(904)
Depreciation and amortization	9,575	8,811
Equity in income of nonconsolidated investment	(643)	(570)
Loss on sale of property, plant and equipment	314	95
Deferred gain amortization on sale-leaseback	(456)	(738)
Share-based compensation	1,312	1,720
Excess tax benefit from share-based compensation	(121)	(368)
Change in operating assets and liabilities:		
Accounts receivable	(19,061)	(10,941)
Inventories	(1,044)	(4,711)
Other current assets	(1,232)	302
Prepaid income tax	5,697	1,924
Other noncurrent assets	99	(432)
Accounts payable - trade	9,163	549
Deferred revenue	3,050	(9,149)
Accrued payroll and employee benefits	(2,089)	(887)
Other current liabilities	21,200	10,552
Other liabilities	(463)	(840)
Net Cash Provided by Continuing Operating Activities	24,626	10,663
Net Cash Used by Discontinued Operations	(599)	(632)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of property, plant and equipment	17	51
Capital expenditures on property, plant and equipment	(6,342)	(7,974)
Acquisitions	-	(8,952)
Capital contributions to equity method investment	-	(625)
Net Cash Used by Continuing Investing Activities	(6,325)	(17,500)
Net Cash Provided/(Used) by Discontinued Operations	10,548	(133)

L. B. FOSTER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Nine Months Ended September 30, 2012	2011
	(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of other long-term debt	(2,040)	(2,017)
Proceeds from exercise of stock options and stock awards	73	123
Treasury stock acquisitions	-	(6,480)
Cash dividends on common stock paid to shareholders	(772)	(767)
Excess tax benefit from share-based compensation	121	368
Net Cash Used by Financing Activities	(2,618)	(8,773)
Effect of exchange rate changes on cash and cash equivalents	1,299	(1,290)
Net Increase/(Decrease) in Cash and Cash Equivalents	26,931	(17,665)
Cash and Cash Equivalents at Beginning of Period	73,727	74,800
Cash and Cash Equivalents at End of Period	$ 100,658	$ 57,135
Supplemental Disclosure of Cash Flow Information:		
Interest Paid	$ 301	$ 360
Income Taxes Paid	$ 10,696	$ 6,314

See Notes to Condensed Consolidated Financial Statements.

1. FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all estimates and adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. However, actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. Amounts included in the balance sheet as of December 31, 2011 were derived from our audited balance sheet. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2011.

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

2. BUSINESS SEGMENTS

The 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 and services.

The following table illustrates revenues and profits from continuing operations of the Company by segment for the periods indicated:

	Three Months Ended September 30, 2012		Nine Months Ended September 30, 2012	
	Net Sales	Segment Profit	Net Sales	Segment Profit
	In thousands			
Rail products	$ 110,993	$ 8,096	$ 278,993	$ 1,743
Construction products	45,948	3,083	132,173	6,062
Tubular products	13,405	3,783	36,651	9,501
Total	$ 170,346	$ 14,962	$ 447,817	$ 17,306

	Three Months Ended September 30, 2011		Nine Months Ended September 30, 2011	
	Net Sales	Segment Profit	Net Sales	Segment Profit
	In thousands			
Rail products	$ 89,378	$ 8,858	$ 241,016	$ 12,944
Construction products	60,175	4,879	176,404	12,583
Tubular products	8,770	1,951	24,182	4,673
Total	$ 158,323	$ 15,688	$ 441,602	$ 30,200

Segment profits from continuing operations, as shown above, include internal cost of capital charges for assets used in the segment at a rate of, generally, 1% per month. There has been no change in the measurement of segment profit from continuing operations from December 31, 2011.

The following table provides a reconciliation of reportable segment net profit from continuing operations to the Company's consolidated total:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	In thousands			
Income for reportable segments	$ 14,962	$ 15,688	$ 17,306	$ 30,200
Cost of capital for reportable segments	3,897	3,901	12,866	11,108
Interest expense	(141)	(170)	(405)	(443)
Interest income	126	74	319	224
Other (expense)/income	(329)	650	453	822
LIFO income/(expense)	432	(444)	333	(1,140)
Equity in income of nonconsolidated investment	310	287	643	570
(Loss)/gain on foreign exchange	(283)	711	(457)	497
Corporate expense and other unallocated charges	(5,863)	(7,038)	(18,044)	(18,275)
Income from continuing operations before income taxes	$ 13,111	$ 13,659	$ 13,014	$ 23,563

3. 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 9.

Excluding amounts attributed to discontinued operations, the carrying amount of goodwill at September 30, 2012 and December 31, 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.

Identified intangible assets of $2,305,000 are attributable to the Company's Construction Products segment and $44,452,000 are attributable to the Company's Rail Products segment. The components of the Company's intangible assets are as follows:

	September 30, 2012					
	Weighted Average Amortization Period In Years		Gross Carrying Value		Accumulated Amortization	Net Carrying Amount
	In thousands					
Non-compete agreements	5	$	380	$	(366)$	14
Patents	10		125		(125)	-
Customer relationships	23		19,960		(2,217)	17,743
Supplier relationships	5		350		(126)	224
Trademarks	17		6,280		(771)	5,509
Technology	18		19,662		(2,178)	17,484
	20	$	46,757	$	(5,783)$	40,974

	December 31, 2011					
	Weighted Average Amortization Period In Years		Gross Carrying Value		Accumulated Amortization	Net Carrying Amount
	In thousands					
Non-compete agreements	5	$	380	$	(361)$	19
Patents	10		125		(125)	-
Customer relationships	23		19,960		(1,402)	18,558
Supplier relationships	5		350		(73)	277
Trademarks	17		6,280		(447)	5,833
Technology	18		19,457		(1,273)	18,184
	20	$	46,552	$	(3,681)$	42,871

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 operations for the three-month periods ended September 30, 2012 and 2011 was $703,000 and $699,000, respectively. Amortization expense from continuing operations for the nine-month periods ended September 30, 2012 and 2011 was $2,097,000 and $2,096,000, respectively.

Estimated amortization expense from continuing operations for the remainder of 2012 and the years 2013 and thereafter is as follows:

		In thousands
2012	$	657
2013		2,755
2014		2,755
2015		2,476
2016		2,319
2017 and thereafter		30,012
	$	40,974

4. ACCOUNTS RECEIVABLE

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. Trade accounts receivable from continuing operations at September 30, 2012 and December 31, 2011 have been reduced by an allowance for doubtful accounts of ($1,306,000) and ($1,726,000), respectively.

5. INVENTORIES

Inventories of continuing operations of the Company at September 30, 2012 and December 31, 2011 are summarized in the following table:

	September 30, 2012	December 31, 2011
	In thousands	
Finished goods	$ 69,219	$ 71,758
Work-in-process	10,643	8,004
Raw materials	20,916	19,885
Total inventories at current costs	100,778	99,647
Less: LIFO reserve	(9,850)	(10,183)
	$ 90,928	$ 89,464

Inventories of the Company's continuing operations are generally valued at the lower of last-in, first-out (LIFO) cost or market. Other inventories of the Company are valued at average cost or market, whichever is lower. An actual valuation of inventory under the LIFO method is made at the end of each year based on the inventory levels and costs at that time. Interim LIFO calculations are based on management's estimates of expected year-end levels and costs.

6. INVESTMENTS

Investments of the Company consist of a nonconsolidated equity method investment of $4,137,000 and $3,495,000 at September 30, 2012 and December 31, 2011, respectively.

The Company is a member of a joint venture with L B Industries, Inc. and James Legg until September 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 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 $310,000 and $643,000 for the three and nine months ended September 30, 2012, respectively. The Company recorded equity in the income of the JV of approximately $287,000 and $570,000 for the three and nine months ended September 30, 2011, respectively.

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 September 30, 2012 and December 31, 2011, respectively, are as follows:

	September 30, 2012	December 31, 2011
	In thousands	
Equity method investment	$ 4,137	$ 3,495
Net investment in direct financing lease	933	971
	$ 5,070	$ 4,466

The Company is leasing five acres of land and the facility 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.” The Company maintained a net investment in this direct financing lease of approximately $933,000 and $971,000 at September 30, 2012 and December 31, 2011, respectively.

The following is a schedule of the direct financing minimum lease payments for the remainder of 2012 and the years 2013 and thereafter

	In thousands
2012	$ 13
2013	54
2014	58
2015	63
2016	67
2017 and thereafter	678
	$ 933

7. 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.

8. 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 September 30, 2012, the Company was in compliance with the Credit Agreement's covenants.

The Company had no outstanding borrowings under the revolving credit facility at September 30, 2012 or December 31, 2011 and had available borrowing capacity of $123,824,000 at September 30, 2012.

Letters of Credit

At September 30, 2012, the Company had outstanding letters of credit of approximately $1,176,000.

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 $2,424,000 at September 30, 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 September 30, 2012. There was approximately $61,000 in outstanding guarantees (as defined in the underlying agreement) at September 30, 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.

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 September 30, 2012. The subsidiary had available borrowing capacity of $2,363,000 at September 30, 2012.

9. 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.

Net sales and income, including the pre-tax gain of $3,193,000, from discontinued operations were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	In thousands			
Net sales	$ 1,159	$ 4,380	$ 8,701	$ 11,906
(Loss) income from discontinued operations	$ (343)	$ 604	$ 3,805	$ 839
Income tax (benefit) expense	(104)	215	2,403	298
(Loss) income from discontinued operations	$ (239)	$ 389	$ 1,402	$ 541

The effective tax rate in the nine-month period ended September 30, 2012 was significantly impacted by $2,588,000 of goodwill allocated to SSD for discontinued operations which was not deductible for income tax purposes.

The following table details balance sheet information for discontinued operations:

	September 30, 2012	December 31, 2011
	In thousands	
Current Assets	$ 1,333	$ 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	1,333	9,910
Current Liabilities	263	1,294
Net assets of discontinued operations	$ 1,070	$ 8,616

10. EARNINGS PER COMMON SHARE

The following table sets forth the computation of basic and diluted earnings per common share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	In thousands, except per share data			
Numerator for basic and diluted earnings per common share -				
Income available to common stockholders:				
Income from continuing operations	$ 8,464	$ 9,351	$ 8,122	$ 16,250
(Loss) income from discontinued operations	(239)	389	1,402	541
Net income	$ 8,225	$ 9,740	$ 9,524	$ 16,791
Denominator:				
Weighted average shares	10,141	10,185	10,117	10,257
Denominator for basic earnings per common share	10,141	10,185	10,117	10,257
Effect of dilutive securities:				
Employee stock options	15	26	16	31
Other stock compensation plans	50	83	78	78
Dilutive potential common shares	65	109	94	109
Denominator for diluted earnings per common share - adjusted weighted average shares and assumed conversions	10,206	10,294	10,211	10,366
Basic (loss) earnings per share:				
Continuing operations	$ 0.83	$ 0.92	$ 0.80	$ 1.58
Discontinued operations	(0.02)	0.04	0.14	0.05
Basic earnings per common share	$ 0.81	$ 0.96	$ 0.94	$ 1.64
Diluted (loss) earnings per share:				
Continuing operations	$ 0.83	$ 0.91	$ 0.80	$ 1.57
Discontinued operations	(0.02)	0.04	0.14	0.05
Diluted earnings per common share	$ 0.81	$ 0.95	$ 0.93	$ 1.62
Dividends paid per common share	$ 0.025	$ 0.025	$ 0.075	$ 0.075

11. SHARE-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 $477,000 and $465,000 for the three-month periods ended September 30, 2012 and 2011, respectively, and $1,312,000 and $1,720,000 for the nine-month periods ended September 30, 2012 and 2011, respectively, related to restricted stock awards and performance unit awards.

Stock Option Awards

A summary of the option activity as of September 30, 2012 is presented below.

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding and Exercisable at January 1, 2012	39,950	$ 8.94	2.8	
Granted	-	-	-	
Canceled	-	-	-	
Exercised	(11,450)	6.44	-	
Outstanding and Exercisable at September 30, 2012	28,500	$ 9.94	2.4	$ 638,000

The total intrinsic value of options outstanding and exercisable at September 30, 2011 was $669,000.

At September 30, 2012, common stock options outstanding and exercisable under the Company’s equity plans had option prices ranging from $4.10 to $14.77, with a weighted average exercise price of $9.94. At September 30, 2011, common stock options outstanding and exercisable under the Company’s equity plans had option prices ranging from $4.10 to $14.77, with a weighted average exercise price of $8.83 per share.

The weighted average remaining contractual life of the stock options outstanding at September 30, 2012 and 2011 was 2.4 and 3.1 years, respectively.

There were 10,000 options with a weighted average exercise price per share of $6.02 exercised during the three-month period ended September 30, 2012. There were 10,000 options with a weighted average exercise price per share of $4.87 exercised during the three-month period ended September 30, 2011. The total intrinsic value of options exercised during the three-month periods ended September 30, 2012 and 2011 was $225,000 and $154,000, respectively.

Options exercised during the nine-month periods ended September 30, 2012 and 2011 totaled 11,450 and 31,000 shares, respectively. The weighted average exercise price per share of the options exercised during the nine-month periods ended September 30, 2012 and 2011 were $6.44 and $3.93, respectively. The total intrinsic value of options exercised during the nine-month periods ended September 30, 2012 and 2011 were $255,000 and $909,000, respectively.

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.

Restricted Stock Awards

For the nine-month periods ended September 30, 2012 and 2011, the Company granted approximately 26,000 and 46,000 shares, respectively, of restricted stock to employees. During the nine-month period ended September 30, 2012, the Company also granted approximately 66,000 shares of restricted stock to an employee director. A summary of restricted stock award activity follows:

Grant Date	Shares	Grant Date Fair Value	Aggregate Fair Value	Vesting Date
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

These forfeitable Restricted Stock Awards time-vest after a four-year holding 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. Units granted during the nine-month periods ended September 30 are as follows:

Incentive Plan	Grant Date	Units	Grant Date Fair Value	Aggregate Fair Value	Vesting Date
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 an employee director and 1,000 special performance units to an executive officer. Based on the satisfaction of the underlying performance conditions, these 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. The Company reversed $1,157,000 of incentive compensation expense during the nine-month period ended September 30, 2012 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 14.

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 $121,000 and $368,000 for the nine months ended September 30, 2012 and 2011, respectively. This excess tax benefit is included in cash flows from financing activities in the Condensed Consolidated Statements of Cash Flows.

12. RETIREMENT PLANS

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, Portec Rail Products, Inc. (Portec Rail), maintains two defined contribution plans for its employees in Canada, as well as a post-retirement benefit plan. In the United Kingdom, Portec Rail maintains both a defined contribution plan and a defined benefit plan. These plans are discussed in further detail below.

United States Defined Benefit Plans

Net periodic pension costs for the United States defined benefit pension plans for the three- and nine-month periods ended September 30, 2012 and 2011 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	In thousands			
Service cost	$ 8	$ 8	$ 24	$ 23
Interest cost	187	200	561	600
Expected return on plan assets	(203)	(191)	(607)	(574)
Recognized net actuarial loss	49	28	146	84
Net periodic benefit cost	$ 41	$ 45	$ 124	$ 133

The Company expects to contribute approximately $741,000 to its United States defined benefit plans in 2012. For the nine months ended September 30, 2012, the Company contributed approximately $421,000 to these plans.

United Kingdom Defined Benefit Plans

Net periodic pension costs for the United Kingdom defined benefit pension plan for the three and nine months ended September 30 is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	In thousands			
Interest cost	$ 89	$ 66	$ 252	$ 201
Expected return on plan assets	(76)	(72)	(215)	(220)
Amortization of transition amount	(12)	(12)	(36)	(36)
Recognized net actuarial loss	58	29	165	85
Net periodic cost	$ 59	$ 11	$ 166	$ 30

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 $231,000 to the United Kingdom Portec Rail pension plan during 2012. For the nine months ended September 30, 2012, the Company contributed approximately $110,000 to the United Kingdom Portec Rail plan.

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 Portec Rail 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, Portec Rail 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 Portec Rail subsidiary also maintains a defined contribution plan covering substantially all employees of Portec Rail Products (UK) Ltd (UK Plan). Benefits under the UK Plan are provided under no formal written agreement. Under the terms of the defined contribution UK Plan, Portec Rail may make non-elective contributions of between 3% and 10% of each employee’s compensation.

Finally, the Company’s Portec Rail subsidiary maintains a defined contribution plan covering substantially all of the employees of Kelsan Technologies Corp., a wholly-owned subsidiary of the Company (Kelsan Plan). Under the terms of the Kelsan Plan, Portec Rail 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 Kelsan Plan.

The following table summarizes the expense associated with the contributions made to these plans:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	In thousands			
Salaried Plan	$ 599	$ 541	$ 1,674	$ 1,519
Union Plan	23	16	59	45
Montreal Plan	30	26	89	75
UK Plan	29	34	84	94
Kelsan Plan	34	27	111	88
	$ 715	$ 644	$ 2,017	$ 1,821

13. <u>FAIR VALUE MEASUREMENTS</u>

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 tax-free and taxable money market funds with municipal bond issuances as the underlying securities as well as government agency obligations and corporate bonds, 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.

Derivative contracts. The Company uses significant other observable inputs that are readily available in public markets or can be derived from information available in publicly quoted markets to determine the fair value of its derivative contracts. These instruments consist of foreign currency exchange contracts, are included within "Other accrued liabilities," and are classified in Level 2 of the fair value hierarchy. Fluctuations in the fair values of derivative instruments are recorded in accumulated other comprehensive loss and reclassified into earnings as the underlying hedged items affect earnings. There were no such instruments as of December 31, 2011.

IDSI acquisition notes. The Company issued non-interest bearing notes associated with its 2010 acquisition of Interlocking Deck Systems International, LLC (IDSI). 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 the three-month period ended March 31, 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 Topic 820 at September 30, 2012 and December 31, 2011:

			Fair Value Measurements at Reporting Date Using		
		September 30, 2012	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	$	58,192	$ 58,192	$ -	$ -
Non domestic bank certificates of deposit		28,392	28,392	-	-
Cash equivalents at fair value		86,584	86,584	-	-
Total Assets	$	86,584	$ 86,584	$ -	$ -
Liabilities					
Derivatives	$	(47)	$ -	$ (47)	$ -
Total other accrued liabilities		(47)	-	(47)	-
Total Liabilities	$	(47)	$ -	$ (47)	$ -

		Fair Value Measurements at Reporting Date Using		
	December 31, 2011	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)	$ -

14. COMMITMENTS AND CONTINGENT LIABILITIES

Product Liability Claims

On July 12, 2011, the Union Pacific Railroad (UPRR) notified (the "UPRR Notice") the Company and the Company's 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 fail to meet contract specifications, have workmanship defects and are cracking and failing prematurely. Approximately 1.6 million ties were sold from Grand Island to the UPRR during the period the UPRR has claimed nonconformance. The 2005 contract calls for each concrete tie which fails to conform to the specifications or has a material defect in workmanship to be replaced with 1.5 new concrete ties, provided, that UPRR within five years of the sale of a concrete tie, notifies CXT of such failure to conform or such defect in workmanship. The UPRR Notice did not specify how many ties manufactured during this period are 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 facility have failed a test contained in the contract specification. UPRR has removed, at this customer's request, approximately 115,000 concrete ties, which are a subset of the ties subject to the UPRR Notice.

On January 11, 2012, CXT received a subpoena from the United States Department of Transportation Inspector General (IG) requesting records related to its manufacture of concrete railroad ties in Grand Island, Nebraska. The Company believes that this subpoena relates to the same set of circumstances giving rise to the UPRR product claim. CXT and the Company have been cooperating fully with the IG.

November 7, 2012 Update

The Company has been assessing warranty claims for certain concrete ties made in its Grand Island, NE facility. The claims are arising from ties found in track that are not performing up to the Company's expectations, and do not meet the Company's quality standards. These ties were manufactured between 1998 and 2011. The Company discontinued manufacturing operations in Grand Island in early 2011. The large majority of these claims come from the Union Pacific Railroad (UPRR). During the recent quarter, the Company has been working to resolve the claims in a satisfactory manner for our customers and the Company. The Company made substantial progress with the UPRR in the recent quarter regarding the approach to remedy field failures, the details of which are in the following paragraphs.

The Company has 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. The agreed upon process will result 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 order to accommodate customer concerns, the Company has 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.

Following the changes noted above to the warranty policy and our assessment of the scope of the defective ties, the Company recorded an additional $3.0 million warranty charge in order to adequately reserve for the revised cost of resolving expected claims. This change brought the total warranty reserve for concrete ties to $27.2 million. It is now sized to reflect the expected claims from all customers who have notified the Company of problems, especially the UPRR where the majority of claims arose. It is supported by the extensive field sampling and forensic analysis we've conducted along with customer discussions.

Finally, the Company will produce the replacement ties in its Tucson, AZ manufacturing facility which has been operating under a 5 year supply contract with the UPRR expiring in December 2012. UPRR has verbally indicated their intent to award the Company with a new 5 year supply contract for its Tucson facility. The details of this supply contract have not been completed, although they are expected to closely resemble the terms in the existing contract with the exception of the new 15 year warranty policy and some product specification changes.

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 operations product warranty accrual:

		In thousands
Balance at December 31, 2011	$	6,632
Additions to warranty liability		23,993
Warranty liability utilized		(2,512)
Balance at September 30, 2012	$	28,113

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, and the Company is monitoring its potential environmental exposure related to current and former Portec 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 September 30, 2012 and December 31, 2011, the Company maintained environmental and litigation reserves approximating $2,112,000 and $2,184,000, respectively.

15. 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 (loss) 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.

During the third quarter of 2012, the Company executed derivative contracts with notional amounts totaling approximately $3,186,000 to sell Canadian funds based on the anticipated receipt of Canadian funds from the sale of certain rail products in the third quarter of 2012. The receipt of Canadian funds did not occur when the Company expected and the Company needed to enter into another commitment to buy Canadian funds with notional amounts totaling approximately $3,388,000. During the third quarter of 2012, the Company settled these contracts for a recognized loss of approximately $204,000. This amount is included within "Other expense/(income)" in the Condensed Consolidated Statements of Operations.

During the third quarter of 2012, the Company entered into a new commitment with notional amounts totaling approximately $3,280,000 to sell Canadian funds based on the anticipated receipt of Canadian funds from the sale of certain rail products in the fourth quarter of 2012. The fair value of this instrument was a liability of approximately $47,000 as of September 30, 2012 and was recorded in "Other accrued liabilities" in the Condensed Consolidated Balance Sheet.

The Company did not engage in any foreign currency hedging transactions during the nine-month period ended September 30, 2011.

16. INCOME TAXES

The Company's effective income tax rate from continuing operations for the three months ended September 30, 2012 and 2011 was 35.4% and 31.5%, respectively. The Company's effective income tax rate from continuing operations for the nine months ended September 30, 2012 and 2011 was 37.6% and 31.0%, respectively. The increase in the Company's effective income tax rate is due to a reduction in 2012 Canadian research and development credits as well as the receipt of state tax refunds in 2011.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

General

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

We reclassified our statements of operations to present the results of our Shipping Systems Division and Precise Structural Products business as discontinued operations due to their sales on June 4, 2012 and August 30, 2012, respectively. The following discussion and analysis of financial condition and results of operations relates only to our continuing operations. More information regarding the results of discontinued operations and the net $3.2 million pre-tax gain recognized on these transactions can be found in footnote 9 to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Product Warranty Claim Charge

We have agreed on a process with the Union Pacific Railroad (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 the UPRR carried a 5 year warranty with a 1.5:1 replacement ratio for any defective ties. The agreed upon process will result in us working together to identify and replace defective ties. The process of planning and documenting will be done by both companies to ensure this is done in a timely manner.

In order to accommodate customer concerns, we have 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.

Following the changes noted above to the warranty policy and our assessment of the scope of the defective ties, we recorded an additional $3.0 million warranty charge in the 2012 third quarter in order to adequately reserve for the revised cost of resolving expected claims. This change brought the total warranty reserve for concrete ties to $27.2 million. It is now sized to reflect the expected claims from all customers who have notified us of problems, especially the UPRR where the majority of claims arose. It is supported by the extensive field sampling and forensic analysis we've conducted along with customer discussions.

Other Matters

In October 2012, we announced that we are in the process of changing the names of several of the subsidiary companies acquired from our 2010 acquisition of Portec Rail Products, Inc. To more accurately brand these innovative businesses and better represent our rail product development capabilities, these divisions will be collectively referred to as L.B. Foster Rail Technologies.

Quarterly Results of Continuing Operations

	Three Months Ended September 30,		Percent of Total Net Sales Three Months Ended September 30,		Percent Increase/(Decrease)
	2012	2011	2012	2011	2012 vs. 2011
	Dollars in thousands				
Net Sales:					
Rail Products	$ 110,993	$ 89,378	65.2 %	56.5 %	24.2 %
Construction Products	45,948	60,175	27.0	38.0	(23.6)
Tubular Products	13,405	8,770	7.9	5.5	52.9
Total Net Sales	$ 170,346	$ 158,323	100.0 %	100.0 %	7.6 %

	Three Months Ended September 30,		Gross Profit Percentage Three Months Ended September 30,		Percent Increase/(Decrease)
	2012	2011	2012	2011	2012 vs. 2011
	Dollars in thousands				
Gross Profit:					
Rail Products	$ 19,111	$ 18,038	17.2 %	20.2 %	5.9 %
Construction Products	7,183	9,881	15.6	16.4	(27.3)
Tubular Products	4,401	2,483	32.8	28.3	77.2
LIFO Income/(Expense)	432	(444)	0.3	(0.3)	(197.3)
Other	(415)	(363)	(0.2)	(0.2)	14.3
Total Gross Profit	$ 30,712	$ 29,595	18.0 %	18.7 %	3.8 %

	Three Months Ended September 30,		Percent of Total Net Sales Three Months Ended September 30,		Percent Increase/(Decrease)
	2012	2011	2012	2011	2012 vs. 2011
	Dollars in thousands				
Expenses:					
Selling and Administrative Expenses	$ 16,581	$ 16,789	9.7 %	10.6 %	(1.2) %
Amortization Expense	703	699	0.4	0.4	0.6
Interest Expense	141	170	0.1	0.1	(17.1)
Interest Income	(126)	(74)	(0.1)	(0.0)	70.3
Equity in Income of Nonconsolidated Investment	(310)	(287)	(0.2)	(0.2)	8.0
Loss/(Gain) on Foreign Exchange	283	(711)	0.2	(0.4)	(139.8)
Other Expense/(Income)	329	(650)	0.2	(0.4)	(150.6)
Total Expenses	17,601	15,936	10.3	10.1	10.4
Income from Continuing Operations Before Income Taxes	13,111	13,659	7.7	8.6	(4.0)
Income Tax Expense	4,647	4,308	2.7	2.7	7.9
Income from Continuing Operations	$ 8,464	$ 9,351	5.0 %	5.9 %	(9.5) %

Third quarter 2012 Compared to Third quarter 2011 – Company Analysis

Income from continuing operations for the 2012 third quarter was $8.5 million, or $0.83 per diluted share, compared to income from continuing operations of $9.4 million, or $0.91 per diluted share, in the prior year quarter.

Included in our 2012 and 2011 third quarter results were warranty charges related to concrete ties manufactured at our Grand Island, NE facility of $3.0 million ($0.17 per diluted share) and $0.8 million ($0.05 per diluted share), respectively.

Selling and administrative expense decreased approximately $0.2 million in the 2012 third 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. Fluctuations in the exchange rate for the US Dollar resulted in our recognizing transactional foreign exchange losses during the current quarter compared to foreign exchange gains in the prior year quarter. Additionally, approximately $0.2 million in derivative hedging settlement losses were recognized during the 2012 quarter. Other expense for the three months ended September 30, 2012 consisted mainly of approximately $0.2 million in fixed asset write offs. Other income in the prior year quarter included increased amounts recognized from the deferred gain related to a revision in the remaining term of a 2008 operating lease associated with our former Houston, TX threading facility.

The effective income tax rate from continuing operations in the third quarter of 2012 was 35.4% compared to 31.5% in the prior year quarter. The increase in our effective income tax rate is due to a reduction in 2012 Canadian research and development credits as well as the receipt of state tax refunds in 2011.

Results of Continuing Operations – Segment Analysis

Rail Products

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Increase/(Decrease) 2012 vs. 2011	Percent Increase/(Decrease) 2012 vs. 2011
	Dollars in thousands			
Net Sales	$ 110,993	$ 89,378	$ 21,615	24.2 %
Gross Profit	$ 19,111	$ 18,038	$ 1,073	5.9 %
Gross Profit Percentage	17.2 %	20.2 %	(3.0)%	(14.7)%

Third quarter 2012 Compared to Third quarter 2011

The sales improvement was due principally to increases in our rail distribution and concrete ties divisions. Higher volumes in our rail distribution business drove the sales improvement. While our CXT concrete tie division did report volume growth over the 2011 period, the 2011 period was also negatively impacted by a product return totaling $2.8 million. Our trackwork division also reported improved volumes. These increases were partially offset from sales volume declines reported by our Allegheny Rail Products (ARP) division while our Rail Technologies divisions reported flat quarter over quarter sales.

Product warranty charges of approximately $3.0 million and $0.8 million, respectively, related to the Grand Island, NE concrete tie warranty matters negatively impacted our Rail Products segment in the 2012 and 2011 quarters. Additionally, Rail Technologies gross profit declined due to increased materials costs reported by our friction management product line. While our rail distribution divisions' gross profit reported volume related increases, its gross profit margin remained flat.

Construction Products

	Three Months Ended September 30,		Increase/ (Decrease)	Percent Increase/(Decrease)
	2012	2011	2012 vs. 2011	2012 vs. 2011
	Dollars in thousands			
Net Sales	$ 45,948	$ 60,175	$ (14,227)	(23.6)%
Gross Profit	$ 7,183	$ 9,881	$ (2,698)	(27.3)%
Gross Profit Percentage	15.6 %	16.4 %	(0.8)%	(4.8)%

Third quarter 2012 Compared to Third quarter 2011

Volume based 2012 sales declines were reported by all of our Construction Products divisions, with the most significant declines continuing in our piling division. Additionally, our concrete buildings division reported reduced volumes in the 2012 period as compared to its record 2011 period as it relies on government funding for its orders.

While our fabricated bridge products division reported expanded margins, the rest of our Construction Products divisions reported 2012 gross profit declines which were generally volume related.

Tubular Products

	Three Months Ended September 30,		Increase/ (Decrease)	Percent Increase/(Decrease)
	2012	2011	2012 vs. 2011	2012 vs. 2011
	Dollars in thousands			
Net Sales	$ 13,405	$ 8,770	$ 4,635	52.9 %
Gross Profit	$ 4,401	$ 2,483	$ 1,918	77.2 %
Gross Profit Percentage	32.8 %	28.3 %	4.5 %	16.0 %

Third quarter 2012 Compared to Third quarter 2011

Our Birmingham, AL coating facility continued to drive the increase in both sales and gross profit in the 2012 quarter from increased volumes as the facility is currently operating two shifts to fulfill customer orders. Volume related growth also contributed to the expansion in gross profit through improved absorption of plant expenses at both of our tubular divisions.

Year-to-date Results of Continuing Operations

	Nine Months Ended September 30,		Percent of Total Net Sales Nine Months Ended September 30,		Percent Increase/(Decrease)
	2012	2011	2012	2011	2012 vs. 2011
			Dollars in thousands		
Net Sales:					
Rail Products	$ 278,993	$ 241,016	62.3 %	54.6 %	15.8 %
Construction Products	132,173	176,404	29.5	39.9	(25.1)
Tubular Products	36,651	24,182	8.2	5.5	51.6
Total Net Sales	$ 447,817	$ 441,602	100.0 %	100.0 %	1.4 %

	Nine Months Ended September 30,		Gross Profit Percentage Nine Months Ended September 30,		Percent Increase/(Decrease)
	2012	2011	2012	2011	2012 vs. 2011
			Dollars in thousands		
Gross Profit:					
Rail Products	$ 35,316	$ 41,291	12.7 %	17.1 %	(14.5) %
Construction Products	19,205	26,893	14.5	15.2	(28.6)
Tubular Products	11,135	6,144	30.4	25.4	81.2
LIFO Income/(Expense)	333	(1,140)	0.1	(0.3)	(129.2)
Other	(1,289)	(1,302)	(0.3)	(0.3)	(1.0)
Total Gross Profit	$ 64,700	$ 71,886	14.4 %	16.3 %	(10.0) %

	Nine Months Ended September 30,		Percent of Total Net Sales Nine Months Ended September 30,		Percent Increase/(Decrease)
	2012	2011	2012	2011	2012 vs. 2011
			Dollars in thousands		
Expenses:					
Selling and Administrative Expenses	$ 50,142	$ 47,897	11.2 %	10.8 %	4.7 %
Amortization Expense	2,097	2,096	0.5	0.5	0.0
Interest Expense	405	443	0.1	0.1	(8.6)
Interest Income	(319)	(224)	(0.1)	(0.1)	42.4
Equity in Income of Nonconsolidated Investment	(643)	(570)	(0.1)	(0.1)	12.8
Loss/(Gain) on Foreign Exchange	457	(497)	0.1	(0.1)	(192.0)
Other Income	(453)	(822)	(0.1)	(0.2)	(44.9)
Total Expenses	51,686	48,323	11.5	10.9	7.0
Income from Continuing Operations Before Income Taxes	13,014	23,563	2.9	5.3	(44.8)
Income Tax Expense	4,892	7,313	1.1	1.7	(33.1)
Income from Continuing Operations	$ 8,122	$ 16,250	1.8 %	3.7 %	(50.0) %

First Nine months of 2012 Compared to First Nine months of 2011 – Company Analysis

Income from continuing operations for the first nine months of 2012 was $8.1 million, or $0.80 per diluted share, which compares to income from continuing operations for the 2011 period of $16.3 million, or $1.57 per diluted share. Included in our 2012 and 2011 year-to-date results were charges related to concrete ties manufactured at our Grand Island, NE facility of $22.0 million and $5.2 million, respectively. Included within gross profit in the 2011 period was a nonrecurring increase in cost of goods sold of approximately $2.5 million related to the recognition of the inventory step-up to fair value from our 2010 acquisition of Portec Rail Products, Inc.

Approximately $1.3 million of the total $2.2 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 salary and benefit expenses and favorable adjustments to bad expense from accounts previously written off as uncollectible. These increases were partially offset by a reversal of $1.2 million in incentive compensation expense caused by the impact of the product warranty charge on plan performance conditions. Foreign currency hedge settlements and fluctuations in the exchange rate for the US Dollar resulted in our recognizing foreign exchange losses during the current quarter compared to foreign exchange gains in the prior year quarter. We recognized decreased gains of approximately $0.3 million in 2012 related to the operating lease associated with our former Houston, TX threading facility due to our move to Magnolia, TX. This amount was recorded within “Other Income”.

The effective income tax rate from continuing operations for the first nine months of 2012 was 37.6% compared to 31.0% in the prior year period. The increase in the Company's effective income tax rate is due to a reduction in 2012 Canadian research and development credits as well as the receipt of state tax refunds in 2011.

Results of Continuing Operations – Segment Analysis

Rail Products

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011	Increase/(Decrease) 2012 vs. 2011	Percent Increase/(Decrease) 2012 vs. 2011
	Dollars in thousands			
Net Sales	$ 278,993	$ 241,016	$ 37,977	15.8 %
Gross Profit	$ 35,316	$ 41,291	$ (5,975)	(14.5)%
Gross Profit Percentage	12.7 %	17.1 %	(4.5)%	(26.1)%

First Nine months of 2012 Compared to First Nine months of 2011

The growth leaders in our Rail Products segment were our rail distribution and CXT concrete tie divisions, while our Rail Technologies businesses reported flat year over year sales. The growth in our rail distribution business came from improved sales pricing from a shift in product mix toward premium rail and volumes. Our two concrete tie plants continue to deliver volume growth, surpassing sales levels even from the 2010 period when we operated three plants. Finally, decreased volumes reported by our Canadian track components business was mitigated by improved volumes at our United Kingdom friction management business.

Warranty charges in the 2012 period totaling $22.0 million and closure-related and warranty charges totaling $5.2 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 $2.5 million related to recognition of the remaining portion of the inventory step-up to fair value from our allocation of Portec Rail’s purchase price. Without these charges, our gross profit margins would have been 20.5% and 20.3% for the nine-month periods ended September 30, 2012 and 2011, respectively.

We believe this illustrates that the underlying operations of our Rail Products divisions are strong. We also believe that reasonable carload and intermodal rail traffic, robust railroad financial results and strong spending by the Class 1 Railroads bode well for continued strong results into 2013 for our Rail Products segment.

Construction Products

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011	Increase/(Decrease) 2012 vs. 2011	Percent Increase/(Decrease) 2012 vs. 2011
	Dollars in thousands			
Net Sales	$ 132,173	$ 176,404	$ (44,231)	(25.1)%
Gross Profit	$ 19,205	$ 26,893	$ (7,688)	(28.6)%
Gross Profit Percentage	14.5 %	15.2 %	(0.7)%	(4.7)%

First Nine months of 2012 Compared to First Nine months of 2011

Entering 2012 with a lower backlog of business as well as booking fewer new orders in 2012 than the comparable prior period resulted in lower sales volumes for our piling division. Even with these volume reductions, our piling division was able to maintain its period over period gross profit margins. The remainder of our Construction Products divisions experienced market driven, volume related sales and gross profit declines.

We expect our Construction Products segment to be challenged into 2013 by continued softness in the construction markets in which we participate.

Tubular Products

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011	Increase/(Decrease) 2012 vs. 2011	Percent Increase/(Decrease) 2012 vs. 2011
	Dollars in thousands			
Net Sales	$ 36,651	$ 24,182	$ 12,469	51.6 %
Gross Profit	$ 11,135	$ 6,144	$ 4,991	81.2 %
Gross Profit Percentage	30.4 %	25.4 %	5.0 %	19.6 %

First Nine months of 2012 Compared to First Nine months of 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 the third quarter of 2012 to satisfy this demand. Our fully operational threaded products division in Magnolia, TX, benefitted, albeit to a lesser extent, 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 growth in the oil & gas and water well application end markets through the end of 2012 and into 2013, we do not anticipate this growth to continue at the 2012 growth rate.

Liquidity and Capital Resources

Our capitalization is as follows:

	September 30, 2012 Amount	%	December 31, 2011 Amount	%
	Dollars in millions			
Debt:				
Capital leases	$ 0.4		$ 1.5	
IDSI acquisition notes	-		0.9	
Total Debt	0.4	0.1%	2.4	0.9%
Equity	281.4	99.9%	269.8	99.1%
Total Capitalization	$ 281.8	100.0%	$ 272.2	100.0%

Our need for liquidity relates primarily to seasonal working capital requirements for continuing operations, capital expenditures, joint venture capital obligations, strategic acquisitions, debt service obligations, share repurchases and dividends.

The following table summarizes the year-to-date impact of these items:

	September 30, 2012	September 30, 2011
	In millions	
Liquidity needs:		
Working capital and other assets and liabilities	$ 15.3	$ (13.6)
Capital expenditures	(6.3)	(8.0)
Other long-term debt repayments	(2.0)	(2.0)
Common stock purchases	-	(6.5)
Dividends paid to shareholders	(0.8)	(0.8)
JV capital contributions	-	(0.6)
Acquisitions	-	(9.0)
Cash interest paid	(0.3)	(0.4)
Net liquidity requirements	5.9	(40.9)
Liquidity sources:		
Internally generated cash flows before interest paid	9.6	24.7
Equity transactions	0.2	0.5
Foreign exchange effects	1.3	(1.3)
Net liquidity sources	11.1	23.9
Discontinued operations	9.9	(0.7)
Net Change in Cash	$ 26.9	$ (17.7)

Cash Flow from Continuing Operating Activities

During the current 2012 period, cash flows from continuing operations provided $24.6 million, an improvement of $14.0 million compared to the 2011 period. For the nine months ended September 30, 2012, income and adjustments to income from continuing operations provided $9.3 million compared to income and adjustments to income from continuing operations providing $24.3 million in the 2011 period. Working capital and other assets and liabilities provided $15.3 million compared to working capital and other assets and liabilities using $13.6 million in the prior year.

Cash Flow from Continuing Investing Activities

Capital expenditures were $6.3 million for the first nine months of 2012 compared to $8.0 million for the same 2011 period. Current period expenditures were primarily used for our Burnaby, British Columbia, Canada facility, moving our threaded products operations, other yard upgrades and plant equipment. We anticipate total capital spending in 2012 will range between $8.0 million and $9.0 million and will be funded by cash flow from operations.

In January 2011, we made our final, net payment of approximately $9.0 million for the remaining outstanding shares of common stock related to our 2010 acquisition of Portec Rail. We also contributed approximately $0.6 million in capital to our JV investment.

Cash Flow from Discontinued Operations

We sold our Shipping Systems Division on June 4, 2012 for $8.6 million and our Precise Structural Products business on August 30, 2012 for $2.6 million. As part of these sales, we recognized a net pre-tax gain of $3.2 million which is included within cash flows used by discontinued operating activities.

Cash Flow from Financing Activities

While we did not purchase any common shares of the Company under our existing share repurchase authorization, we did repurchase 23,066 shares from employees and nonemployee directors to pay their withholding taxes in connection with the exercise and/or vesting of options and restricted stock awards.

Financial Condition

As of September 30, 2012, we had approximately $100.7 million in cash and cash equivalents and a credit facility with $123.8 million of availability while carrying only $0.4 million in total debt. As of September 30, 2012 we were in compliance with all of the Credit Agreement's covenants. We believe this capacity will afford us the flexibility to take advantage of both organic and external investment opportunities.

Included within cash and cash equivalents are investments in tax-free and taxable money market funds. The money market funds include municipal bond issuances as the underlying securities as well as government agency obligations and corporate bonds. Our priority continues to be short-term maturities and the preservation of our principal balances. Approximately $37.3 million of our cash and cash equivalents was held in non-domestic bank accounts. There are no material restrictions in converting those funds into other currencies and they are available to meet the liquidity needs of our foreign operations.

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%.

Critical Accounting Policies

The condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States. When more than one accounting principle, or method of its application, is generally accepted, management selects the principle or method that is appropriate in the Company's specific circumstances. Application of these accounting principles requires management to make estimates about the future resolution of existing uncertainties. As a result, actual results could differ from these estimates. In preparing these financial statements, management has made its best estimates and judgments of the amounts and disclosures included in the financial statements giving due regard to materiality. Except for the previously disclosed warranty charges recorded during the second and third quarters of 2012, there have been no material changes in the Company's critical accounting policies or estimates since December 31, 2011. For more information regarding the Company's critical accounting policies, please see the Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Form 10-K for the year ended December 31, 2011.

Off-Balance Sheet Arrangements

The Company’s off-balance sheet arrangements include operating leases, purchase obligations and standby letters of credit. A schedule of the Company’s required payments under financial instruments and other commitments as of December 31, 2011 is included in the “Liquidity and Capital Resources” section of the Company’s Annual Report filed on Form 10-K for the year ended December 31, 2011. These arrangements provide the Company with increased flexibility relative to the utilization and investment of cash resources. There were no material changes to these arrangements during the nine-month period ended September 30, 2012.

Outlook

We believe that we are well positioned to benefit from strong rail and energy markets in which we participate but we continue to anticipate a weakened construction market into 2013. We expect to generate cash flows from operations in excess of capital expenditures, scheduled debt service repayments, share repurchases and dividends.

Our CXT Rail operation is dependent on the UPRR for a significant portion of its business. In connection with the 2005 award of a long-term concrete railroad tie supply agreement from the UPRR, CXT completed the construction of a new facility in Tucson, AZ on land we lease from UPRR. Pursuant to the supply agreement, UPRR has agreed to purchase minimum annual quantities from the Tucson, AZ facility through 2012. In connection with the progress we’ve made in moving toward resolution of the UPRR product warranty claims, more fully described in Note 14 to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, the UPRR has verbally agreed to a new five year supply contract and a related extension to the lease through December 2017.

Class 1 Railroad capital spending is expected to remain strong through the end of 2012 and we anticipate reasonable carload and intermodal rail traffic, which bodes well for our rail business. We were rewarded with our largest order ever ($60 million) for an elevated transit system in Honolulu, HI in May 2012 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 segments should continue into 2013, but at slower rates than we experienced during 2012.

We anticipate weak to slightly improving market conditions for our Construction Products segment. Additionally, approximately 30 US 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 authorized transportation spending over a two year period at levels similar to its predecessor bill, SAFETEA-LU.

Total Company backlog from continuing operations at September 30, 2012 was approximately $255.7 million and summarized by business segment in the following table for the periods indicated:

	Backlog		
	September 30, 2012	December 31, 2011	September 30, 2011
	In thousands		
Rail Products	$ 153,965	$ 66,434	$ 73,172
Construction Products	54,431	63,121	68,049
Tubular Products	17,342	10,784	6,313
Total Backlog from Continuing Operations	$ 225,738	$ 140,339	$ 147,534

As of September 30, 2012, we maintained a total product warranty reserve of approximately $28.1 million for our estimate of all potential product warranty claims. Of this total, $27.2 million reflects the current estimate of our exposure for product warranty claims from all customers who have notified us of problems related to our Grand Island, NE concrete tie production. Included within this amount is the cumulative $22.0 million warranty charges recorded in 2012 associated with Grand Island concrete railroad ties. While we believe this is a reasonable estimate of our potential contingencies related to identified concrete tie warranty matters for the affected customers, we may incur future charges associated with new customer claims or further development of information for existing customer claims. Thus, there can be no assurance that future potential costs pertaining to warranty claims will not have a material impact on our results of operations and financial condition.

Forward-Looking Statements

This Form 10-Q 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 “believes,” “intends,” “anticipates,” “expects,” or “will” generally should be considered forward-looking statements. Forward-looking statements in this Form 10-Q may concern, among other things, the Company’s expectations regarding our strategy, goals, plans and projections regarding our financial position, liquidity and capital resources, potential impact of the UPRR claims, the Inspector General subpoena, results of operations, decisions to sell operating divisions, 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. 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, 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, outcome of political races, taxes, foreign currency fluctuations, inflation, the ultimate number of concrete ties that will have to be replaced pursuant to the product claims, and 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. These and other risks are more fully described in the “Risk Factors” Section of our Annual Report on Form 10-K and in our other periodic filings with the Securities and Exchange Commission. We undertake no obligation to release publicly any revisions to forward-looking statements as a result of future events or developments.

Item 3. 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.

Foreign Currency Exchange Rate Risk

During the third quarter of 2012, the Company entered into commitments with notional amounts totaling approximately $3.2 million to sell Canadian funds based on the anticipated receipt of Canadian funds from the sale of certain rail products in the third quarter of 2012. The receipt of Canadian funds did not occur when the Company expected and the Company needed to enter into another commitment to buy Canadian funds with notional amounts totaling approximately $3.4 million. During the third quarter of 2012, the Company settled these contracts for a recognized loss of approximately $0.2 million. This amount is included within “Other expense/(income)” in the Condensed Consolidated Statements of Operations.

During the third quarter of 2012, the Company entered into a new commitment with notional amounts totaling approximately $3.3 million to sell Canadian funds based on the anticipated receipt of Canadian funds from the sale of certain rail products in the fourth quarter of 2012. The fair value of this instrument was a liability of less than $0.1 million as of September 30, 2012 and was recorded in “Other accrued liabilities” in the Condensed Consolidated Balance Sheet.

Item 4. CONTROLS AND PROCEDURES

a) 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) as of September 30, 2012. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective to timely alert them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company’s periodic SEC filings.

b) There have been no changes in the Company’s internal controls over financial reporting that occurred in the period covered by this report that have materially affected or are likely to materially affect the Company’s internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

See Note 14, “Commitments and Contingent Liabilities,” to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

Item 1A. RISK FACTORS

In addition to the risk factors and other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the SEC on March 15, 2012, which could materially affect our business, financial condition, financial results, or future performance. Reference is also made to Item 2 of the Quarterly Report on Form 10-Q. The risks described below and in our Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known or that we currently deem to be immaterial may also materially affect our business, financial condition and/or results of operations.

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

Our businesses could be affected adversely by significant changes in the price of steel, concrete, and other raw materials or the availability of existing and new piling and rail products. Our operating results may also be affected negatively by adverse weather conditions. 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.

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

Unexpected events including production delays or other problems encountered at our manufacturing facilities, equipment failures, failure to meet product specifications, concrete railroad tie warranty issues and the availability of existing and new piling and rail products may cause our operating costs to increase or otherwise impact our financial performance. 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 resources outside of operations.

Shifting federal, state and local regulatory policies impose risks on 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.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The Company's purchases of equity securities for the three-month period ended September 30, 2012 were as follows:

	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2012 - July 31, 2012	-	$ -	-	$ 18,520,000
August 1, 2012 - August 31, 2012	-	-	-	18,520,000
September 1, 2012 - September 30, 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 at which time this authorization will expire. The Company previously purchased 278,655 shares totaling approximately $6.5 million under this authorization.

Item 5. OTHER INFORMATION

On October 25, 2012, the Board of Directors of the Company adopted an amendment to Section 2.05 of the Company’s Bylaws to clarify the procedures by which shareholders may nominate persons for election to the Board of Directors of the Company and/or propose other business to be considered by shareholders at future meetings of shareholders (the “Amendment”).

The foregoing description of the Amendment is qualified in its entirety by reference to the Bylaws, a copy of which is filed as Exhibit 3.1 to this Quarterly Report on Form 10-Q and incorporated herein by reference.

SIGNATURE

Pursuant to the requirements 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 (Registrant)
Date: November 7, 2012	By: /s/ David J. Russo David J. Russo Senior Vice President, Chief Financial Officer and Treasurer (Duly Authorized Officer of Registrant)

Item 6. EXHIBITS

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

*3.1	Bylaws of the Registrant, as amended.
*10.1	First Amendment to Credit Agreement.
*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.
***	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

Exhibit 10.1

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (the "Amendment") is made as of July 9, 2012, by and among L.B. FOSTER COMPANY, a Pennsylvania corporation (the "Company"), CXT INCORPORATED, a Delaware corporation ("CXT"), SALIENT SYSTEMS, INC., an Ohio corporation ("Salient Systems"), L.B. FOSTER RAIL TECHNOLOGIES, INC., a West Virginia corporation formerly known as Portec Rail Products, Inc. ("Portec Rail"), PORTEC RAIL PRODUCTS LTD., a corporation incorporated under the laws of Canada ("Portec Ltd.") and KELSAN TECHNOLOGIES CORP., a corporation amalgamated under the laws of Canada ("Kelsan" and together with the Company, CXT, Salient Systems, Portec Rail and Portec Ltd., collectively referred to herein as the "Borrowers"), THE LENDERS PARTY HERETO, and PNC BANK, NATIONAL ASSOCIATION, in its capacity as administrative agent for the Lenders under the Credit Agreement defined below (hereinafter referred to in such capacity as the "Administrative Agent").

W I T N E S S E T H:

WHEREAS, reference is made to that certain Credit Agreement dated as of May 2, 2011 (the "Credit Agreement"), by and among the Borrowers, the Guarantors from time to time party thereto (the "Guarantors"), the Lenders from time to time parties thereto (the "Lenders"), and the Administrative Agent;

WHEREAS, the Borrowers have requested that the Lenders amend a covenant which relates to dispositions permitted by the Loan Parties, and the Lenders are agreeable to such amendment upon the terms set forth herein.

NOW, THEREFORE, the parties hereto, in consideration of their mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, covenant and agree as follows:

Section 8.2.7 of the Agreement is hereby amended and restated as follows:

“8.2.7 Dispositions of Assets or Subsidiaries.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, sell, convey, assign, lease, abandon or otherwise transfer or dispose of, voluntarily or involuntarily, any of its properties or assets, tangible or intangible (including sale, assignment, discount or other disposition of accounts, contract rights, chattel paper, equipment or general intangibles with or without recourse or of capital stock, shares of beneficial interest, partnership interests or limited liability company interests of a Subsidiary of such Loan Party), except:

transactions involving the sale or lease of inventory in the ordinary course of business;

any sale, transfer or lease of assets in the ordinary course of business which are no longer necessary or required or useful in the conduct of such Loan Party's or such Subsidiary's business;

any sale, transfer or lease of assets by any wholly owned Subsidiary of such Loan Party to another Loan Party;

any sale, transfer, lease or other disposition of ownership interest or assets not in excess of **$25,000,000** in any fiscal year of the Company; or

any sale, transfer or lease of assets, other than those specifically excepted pursuant to clauses (i) through (iv) above, which is approved by the Required Lenders."

Representations. Each Borrower hereby represents and warrants that it has the corporate power and has been duly authorized by all requisite corporate action to execute and deliver this Amendment and to perform its obligations hereunder. Each Borrower hereby represents and warrants that no Event of Default or Potential Default exists under the Agreement or shall result from the execution and delivery of this Amendment.

Force and Effect. Each Lender and each Borrower reconfirms and ratifies the Agreement and all other Loan Documents executed in connection therewith except to the extent any such documents are expressly modified by this Amendment, and each Borrower confirms that all such documents have remained in full force and effect since the date of their execution.

Governing Law. This Amendment shall be deemed to be a contract under the laws of the Commonwealth of Pennsylvania and for all purposes shall be governed by and construed and enforced in accordance with the internal laws of the Commonwealth of Pennsylvania without regard to its conflict of laws principles.

Counterparts. This Amendment may be signed by telecopy or original in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Effective Date. This Amendment shall be effective upon the execution and delivery to the Administrative Agent of this Amendment by the Loan Parties and the Required Lenders.

[SIGNATURE PAGES FOLLOW]

[SIGNATURE PAGE TO FIRST AMENDMENT TO CREDIT AGREEMENT]

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Agreement as of the day and year first above written.

BORROWERS:

L.B. FOSTER COMPANY

By: /s/ David J. Russo
Name: David J. Russo
Title: Sr VP, CFO, CAO and Treasurer

CXT INCORPORATED

By: /s/ David J. Russo
Name: David J. Russo
Title: Sr VP, CFO and Treasurer

SALIENT SYSTEMS, INC.

By: /s/ David J. Russo
Name: David J. Russo
Title: Sr VP, CFO and Treasurer

[SIGNATURE PAGE TO FIRST AMENDMENT TO CREDIT AGREEMENT]

L.B. FOSTER RAIL TECHNOLOGIES, INC.

By: /s/ David J. Russo
Name: David J. Russo
Title: Sr VP, CFO and Treasurer

PORTEC RAIL PRODUCTS LTD.

By: /s/ David J. Russo
Name: David J. Russo
Title: Sr VP, CFO and Treasurer

KELSAN TECHNOLOGIES CORP.

By: /s/ David J. Russo
Name: David J. Russo
Title: Sr VP, CFO and Treasurer
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[SIGNATURE PAGE TO FIRST AMENDMENT TO CREDIT AGREEMENT]

PNC BANK, NATIONAL ASSOCIATION, individually and as Administrative Agent

By: /s/ Brett R. Schweikle
Name: Brett R. Schweikle
Title: Senior Vice President

[SIGNATURE PAGE TO FIRST AMENDMENT TO CREDIT AGREEMENT]

BANK OF AMERICA, N.A.

By: /s/ Andrew Richards
Name: Andrew Richards
Title: SVP

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ J. Barrett Donovan
Name: J. Barrett Donovan
Title: Senior Vice President

CITIZENS BANK OF PENNSYLVANIA

By: /s/ A. Paul Dawley
Name: A. Paul Dawley
Title: Vice President

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 quarterly report on Form 10-Q 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 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 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: November 7, 2012	/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 quarterly report on Form 10-Q 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 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 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: November 7, 2012

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

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Exhibit 3.1

BYLAWS
OF
L.B. Foster Company
(a Pennsylvania corporation)

ARTICLE I
Notice - Waivers - Meetings Generally

Section 1.01 Manner of giving notice.

(a) General rule. - Whenever written notice is required to be given to any person under the provisions of the Business Corporation Law or by the articles or these bylaws, it may be given to the person either personally or by sending a copy thereof by first class or express mail, postage prepaid, or by telegram (with messenger service specified), telex or TWX (with answerback received) or courier service, charges prepaid, or by facsimile transmission, to the address (or to the telex, TWX or fax number) of the person appearing on the books of the corporation or, in the case of directors, supplied by the director to the corporation for the purpose of notice. If the notice is sent by mail, telegraph or courier service, it shall be deemed to have been given to the person entitled thereto when deposited in the United States mail or with a telegraph office or courier service for delivery to that person or, in the case of telex or TWX, when dispatched or, in the case of fax, when received. A notice of meeting shall specify the place, day and hour of the meeting and any other information required by any provision of the Business Corporation Law, the articles or these bylaws.

(b) Adjourned shareholder meetings. - When a meeting of shareholders is adjourned, it shall not be necessary to give any notice of the adjourned meeting or of the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which the adjournment is taken, unless the board fixes a new record date for the adjourned meeting or the Business Corporation Law, the articles or these bylaws require notice of the business to be transacted and such notice has not previously been given.

Section 1.02 Notice of meetings of board of directors. - Notice of a regular meeting of the board of directors need not be given. Notice of every special meeting of the board of directors shall be given to each director by telephone or in writing at least 24 hours (in the case of notice by telephone, telex, TWX or fax) or 48 hours (in the case of notice by telegraph, courier service or express mail) or five days (in the case of notice by first class mail) before the time at which the meeting is to be held. Every such notice shall state the time and place of the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board need be specified in a notice of the meeting.

Section 1.03 Notice of meetings of shareholders. - Written notice of every meeting of the shareholders shall be given by, or at the direction of, the secretary to each shareholder of record entitled to vote at the meeting at least 20 days prior to the day named for the meeting. If the secretary neglects or refuses to give notice of a meeting, the person or persons calling the meeting may do so. In the case of a special meeting of shareholders, the notice shall specify the general nature of the business to be transacted. Notice by mail of any regular or special meeting of the shareholders may be sent by any class of postpaid mail.

Section 1.04 Use of conference telephone and similar equipment. - The board of directors may provide by resolution with respect to a specific meeting or with respect to a class of meetings that one or more persons may participate in a meeting of the board of directors or of the shareholders of the corporation by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this section shall constitute presence in person at the meeting.

ARTICLE II
Shareholders

Section 2.01 Place of meeting. - All meetings of the shareholders of the corporation shall be held at the registered office of the corporation unless another place is designated by the board of directors in the notice of a meeting.

Section 2.02 Annual and Special Meetings. - Annual meetings of shareholders shall be held at a date, time and place fixed by the board of directors and stated in the notice of meeting, to elect a board of directors and to transact such other business as may properly come before the meeting. Special meetings of the shareholders may be called by the president for any purpose and shall be called by the president or secretary if directed by the board of directors.

Section 2.03 Quorum and adjournment.

(a) General rule. - A meeting of shareholders of the corporation duly called shall not be organized for the transaction of business unless a quorum is present. The presence of shareholders entitled to cast at least a majority of the votes that all shareholders are entitled to cast on a particular matter to be acted upon at the meeting shall constitute a quorum for the purposes of consideration and action on the matter. Shares of the corporation owned, directly or indirectly, by it and controlled, directly or indirectly, by the board of directors of this corporation, as such, shall not be counted in determining the total number of outstanding shares for quorum purposes at any given time.

(b) Withdrawal of a quorum. - The shareholders present at a duly organized meeting can continue to do business until adjournment notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

(c) Adjournments generally. - Any regular or special meeting of the shareholders, including one at which directors are to be elected and one which cannot be organized because a quorum has not attended, may be adjourned for such period and to such place as the shareholders present and entitled to vote shall direct.

(d) Electing directors at adjourned meeting. - Those shareholders entitled to vote who attend a meeting called for the election of directors that has been previously adjourned for lack of a quorum, although less than a quorum as fixed in this section, shall nevertheless constitute a quorum for the purpose of electing directors.

(e) Other action in absence of quorum. - Those shareholders entitled to vote who attend a meeting of shareholders that has been previously adjourned for one or more periods aggregating at least 15 days because of an absence of a quorum, although less than a quorum as fixed in this section, shall nevertheless constitute a quorum for the purpose of acting upon any matter set forth in the notice of the meeting if the notice states that those shareholders who attend the adjourned meeting shall nevertheless constitute a quorum for the purpose of acting upon the matter.

Section 2.04 Action by shareholders. - Except as otherwise provided in the Business Corporation Law or the articles or these bylaws, whenever any corporate action is to be taken by vote of the shareholders of the corporation, it shall be authorized upon receiving the affirmative vote of a majority of the votes cast by all shareholders entitled to vote thereon and, if any shareholders are entitled to vote thereon as a class, upon receiving the affirmative vote of a majority of the votes cast by the shareholders entitled to vote as a class.

Section 2.05 Advance notice of nominations and proposals.

(A) Annual Meetings of Shareholders.

(1) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the shareholders may be made at an annual meeting of shareholders (a) by or at the direction of the Board of Directors, including pursuant to the Corporation’s notice of meeting, or (b) by any shareholder of the Corporation who was a shareholder of record at the time of giving of notice provided for in this Bylaw, who is entitled to vote at the meeting and who has complied with the notice procedures set forth in this Bylaw. Clause (b) shall be the exclusive means for a shareholder to make nominations or submit other business (other than matters properly brought under Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and included in the Corporation’s notice of meeting) before an annual meeting of shareholders.

(2) Subject to Section 2.05(D)(3) of these Bylaws, for nominations or other business to be properly brought before an annual meeting by a shareholder pursuant to clause (b) of paragraph (A)(1) of this Bylaw, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must be a proper matter for shareholder action. To be timely, a shareholder’s notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year’s annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the shareholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 7th day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period for the giving of a shareholder’s notice as described above. Such shareholder’s notice shall set forth:

(a) as to each person whom the shareholder proposes to nominate for election or reelection as a director (i) all information relating to such person that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the election of directors in an election contest, or is otherwise required, in each case pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder (including such person’s written consent to being named in the proxy statement as a nominee and to serving as a director if elected), (ii) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such shareholder and the beneficial owner, if any, on whose behalf the nomination is made, and their respective affiliates and associates, or others acting in concert therewith, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation all information that would be required to be disclosed pursuant to Item 404 promulgated under Regulation S-K if the shareholder making the nomination and the beneficial owner, if any, on whose behalf the nomination is made or any affiliate or associate thereof or person acting in concert therewith, were the "registrant" for purposes of such Item and the nominee were a director or executive officer of such registrant, (iii) with respect to each nominee for election or reelection to the Board of Directors, include a completed and signed questionnaire, representation and agreement required by Section 2.05(C) of these Bylaws, and (iv) such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such nominee;

(b) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws of the Corporation, the language of the proposed amendment), the reasons for conducting such business at the meeting, any material interest in such business of such shareholder and the beneficial owner, if any, on whose behalf the proposal is made and a description of all agreements, arrangements and understandings between such shareholder and such beneficial owner, if any, and any other person or persons (including their names) in connection with the proposal of such business by such shareholder; and

(c) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such shareholder, as they appear on the Corporation's books, and of such beneficial owner, (ii) (A) the class and number of shares of the Corporation which are, directly or indirectly, owned beneficially and of record by such shareholder and such beneficial owner, (B) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from the value of any class of shares of the Corporation or with a value derived in whole or in part from the value of any class or series of shares of the Corporation, whether or not such instrument or right shall be subject to settlement in the underlying class of capital stock of the Corporation or otherwise (a "Derivative Instrument") directly or indirectly owned beneficially by such shareholder and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Corporation, (C) any proxy, contract, arrangement, understanding, or relationship pursuant to which such shareholder has a right to vote any shares of any security of the Company, (D) any short interest in any security of the Company (for purposes of these Bylaws a person shall be deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security), (E) any rights to dividends on the shares of the Corporation owned beneficially by such shareholder that are separated or separable from the underlying shares of the Corporation, (F) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such shareholder is a general partner or, directly or indirectly, beneficially owns an interest in a general partner and (G) any performance-related fees (other than an asset-based fee) that such shareholder is entitled to based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments, if any, as of the date of such notice, including without limitation any such interests held by members of such shareholder's immediate family sharing the same household (which information shall be supplemented by such shareholder and such beneficial owner, if any, not later than 10 days after the record date for the meeting to disclose such ownership as of the record date), (iii) any other information relating to such shareholder and such beneficial owner, if any, that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder, (iv) a representation that such owner intends to appear in person or by proxy at the meeting to propose such business or nomination, and (v) a representation whether the shareholder or the beneficial owner, if any, intends or is part of a group which intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (y) otherwise to solicit proxies from shareholders in support of such proposal or nomination.

(3) Notwithstanding anything in the second sentence of paragraph (A)(2) of this Bylaw to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Corporation at least 100 days prior to the first anniversary of the preceding year's annual meeting, a shareholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 7th day following the day on which such public announcement is first made by the Corporation.

(B) Special Meetings of Shareholders. Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of shareholders at which directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board of Directors or (b) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any shareholder of the Corporation who is a shareholder of record at the time of giving of notice provided for in this Bylaw, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Bylaw. In the event the Corporation calls a special meeting of shareholders for the purpose of electing one or more directors to the Board of Directors, any such shareholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting, if the shareholder's notice required by paragraph (A)(2) of this Bylaw with respect to any nomination (including the completed and signed questionnaire, representation and agreement required by Section 2.05(C) of this Bylaw) shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 7th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period for the giving of a shareholder's notice as described above. This paragraph (B) shall be the exclusive means for a shareholder to make nominations or other business proposals before a special meeting of shareholders (other than matters properly brought under Rule 14a-8 under the Exchange Act and included in the Corporation's notice of meeting).

(C) Submission of Questionnaire, Representation and Agreement. To be eligible to be a nominee for election or reelection as a director of the Corporation, a person must deliver (in accordance with the time periods prescribed for delivery of notice under this Section 2.05 of this Bylaw) to the Secretary at the principal executive offices of the Corporation a written questionnaire with respect to the background and qualifications of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be provided by the Secretary upon written request) and a written representation and agreement (in the form provided by the Secretary upon written request) that such person (A) is not and will not become a party to (1) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Corporation or (2) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director of the Corporation, with such person's fiduciary duties under applicable law, (B) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed therein and (C) in such person's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of the Corporation, and will comply with all applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Corporation.

(D) General.

(1) Only such persons who are nominated in accordance with the procedures set forth in this Bylaw shall be eligible to be elected at an annual meeting of shareholders or special meeting of shareholders, as applicable, to serve as directors and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in this Bylaw. Except as otherwise provided by law, the Articles of Incorporation or the Bylaws of the Corporation, the presiding officer of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made, or proposed, as the case may be, in accordance with the procedures set forth in this Bylaw and, if any proposed nomination or business is not in compliance with this Bylaw, to declare that such defective proposal or nomination shall be disregarded.

(2) For purposes of this Bylaw, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Bylaw, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Bylaw. Nothing in this Bylaw shall be

deemed to affect any rights of a shareholder to request inclusion of proposals in the Corporation’s proxy statement pursuant to Rule 14a-8 under the Exchange Act. Subject to Rule 14a-8 under the Exchange Act, nothing in these By-laws shall be construed to permit any shareholder, or give any shareholder the right, to include or have disseminated or described in the Corporation’s proxy statement any nomination of director or directors or any other business proposal.

Section 2.06 Organization. - At every meeting of the shareholders, the chairman of the board, if there be one, or, in the case of a vacancy in office or absence of the chairman of the board, one of the following officers present in the order stated: the vice chairman of the board, if there be one, the president, the vice presidents in their order of rank and seniority, or a person chosen by majority vote of the shareholders present, shall act as chairman of the meeting. The secretary or, in the absence of the secretary, an assistant secretary, or, in the absence of the secretary and assistant secretaries, a person appointed by the chairman of the meeting, shall act as secretary.

Section 2.07 Proxy expenses. - The corporation shall pay the reasonable expenses of solicitation of votes, proxies or consents of shareholders by or on behalf of the board of directors or its nominees for election to the board, including solicitation by professional proxy solicitors and otherwise.

Section 2.08 Consent of shareholders in lieu of meeting. - Any action required or permitted to be taken at a meeting of the shareholders or of a class of shareholders may be taken without a meeting only upon the unanimous written consent of all shareholders who would have been entitled to vote thereon at a meeting of shareholders called to consider the matter.

ARTICLE III
Board of Directors

Section 3.01 Personal liability of directors.

(a) General rule. - A director shall not be personally liable, as such, for monetary damages for any action taken, or any failure to take any action, unless:

(1) the director has breached or failed to perform the duties of his or her office under 15 Pa.C.S. Subch. 17B; and

(2) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

(b) Exceptions. - Subsection (a) shall not apply to :

(1) the responsibility or liability of a director pursuant to any criminal statute, or

(2) the liability of a director for the payment of taxes pursuant to Federal, State or local law.

Section 3.02 Qualifications and selection of directors.

(a) Qualifications. - Each director of the corporation shall be a natural person of full age who need not be a resident of Pennsylvania or a shareholder of the corporation.

(b) Election of directors. - Except as otherwise provided in these bylaws or Pennsylvania law, directors of the corporation shall be elected by the shareholders. In elections for directors, voting need not be by ballot unless required by vote of the shareholders before the voting for election of directors begins. The candidates receiving the highest number of votes from each class or group of classes, if any, entitled to elect directors separately up to the number of directors to be elected by the class or group of classes shall be elected. If at any meeting of shareholders, directors of more than one class are to be elected, each class of directors shall be elected in a separate election.

Section 3.03 Number and term of office.

(a) Number. - The board of directors shall consist of such number of directors, not less than 1 nor more than 15, as may be determined from time to time by resolution of the board of directors.

(b) Term of office. - Each director shall hold office until the expiration of the term for which he or she was selected and until a successor has been selected and qualified or until his or her earlier death, resignation or removal. A decrease in the number of directors shall not have the effect of shortening the term of any incumbent director.

(c) Resignation. - Any director may resign at any time upon written notice to the corporation. The resignation shall be effective upon receipt thereof by the corporation or at such subsequent time as shall be specified in the notice of resignation.

Section 3.04 Place of meetings. - Meetings of the board of directors may be held at such place within or without Pennsylvania as the board of directors may from time to time appoint or as may be designated in the notice of the meeting.

Section 3.05 Organization of meetings. - At every meeting of the board of directors, the chairman of the board, if there be one, or, in the case of a vacancy in the office or absence of the chairman of the board, one of the following officers present in the order stated: the vice chairman of the board, if there be one, the president, the vice presidents in their order of rank and seniority, or a person chosen by a majority of the directors present, shall act as chairman of the meeting. The secretary or, in the absence of the secretary, an assistant secretary, or, in the absence of the secretary and the assistant secretaries, any person appointed by the chairman of the meeting, shall act as secretary.

Section 3.06 Regular meetings. - Regular meetings of the board of directors shall be held at such time and place as shall be designated from time to time by resolution of the board of directors.

Section 3.07 Special meetings. - Special meetings of the board of directors shall be held whenever called by the chairman or by two or more of the directors.

Section 3.08 Quorum of and action by directors.

(a) General rule. - A majority of the directors in office of the corporation shall be necessary to constitute a quorum for the transaction of business and the acts of a majority of the directors present and voting at a meeting at which a quorum is present shall be the acts of the board of directors.

(b) Action by written consent. - Any action required or permitted to be taken at a meeting of the directors may be taken without a meeting if, prior or subsequent to the action, a consent or consents thereto by all of the directors in office is filed with the secretary of the corporation.

Section 3.09 Executive and other committees.

(a) Establishment and powers. - The board of directors may, by resolution adopted by a majority of the directors in office, establish one or more committees to consist of one or more directors of the corporation. Any committee, to the extent provided in the resolution of the board of directors, shall have and may exercise all of the powers and authority of the board of directors except that a committee shall not have any power or authority as to the following:

(1) The submission to shareholders of any action requiring approval of shareholders under the Business Corporation Law.

(2) The creation or filling of vacancies in the board of directors.

(3) The adoption, amendment or repeal of these bylaws.

(4) The amendment or repeal of any resolution of the board that by its terms is amendable or repealable only by the board.

(5) Action on matters committed exclusively by a resolution of the board of directors to another committee of the board.

(b) Alternate committee members. - The board may designate one or more directors as alternate members of any committee who may replace any absent or disqualified member at any meeting of the committee or for the purposes of any written action by the committee. In the absence or disqualification of a member and alternate member or members of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another director to act at the meeting in the place of the absent or disqualified member.

(c) Term. - Each committee of the board shall serve at the pleasure of the board.

(d) Committee procedures. - The term "board of directors" or "board," when used in any provision of these bylaws relating to the organization or procedures of or the manner of taking action by the board of directors, shall be construed to include and refer to any executive or other committee of the board.

Section 3.10 Compensation. - The board of directors shall have the authority to fix the compensation of directors for their services as directors and a director may be a salaried officer of the corporation.

ARTICLE IV
Officers

Section 4.1 Officers generally.

(a) Number, qualifications and designation. - The officers of the corporation shall be a president, one or more senior or regular vice presidents, a secretary, a treasurer, a controller, a general counsel, and such other officers as may be elected in accordance with the provisions of Section 4.03. Officers may but need not be directors or shareholders of the corporation. Each officer shall be a natural person of full age. The board of directors may elect from among the members of the board a chairman of the board and a vice chairman of the board who shall be officers of the corporation. Any number of offices may be held by the same person.

(b) Resignations. - Any officer may resign at any time upon written notice to the corporation. The resignation shall be effective upon receipt thereof by the corporation or at such subsequent time as may be specified in the notice of resignation.

(c) Bonding. - The corporation may secure the fidelity of any or all of its officers by bond or otherwise.

Section 4.02 Election and term of office. - The officers of the corporation, except those elected by delegated authority pursuant to Section 4.03, shall be elected annually be the board of directors, and each such officer shall hold office for a term of one year and until a successor has been selected and qualified or until his or her earlier death, resignation or removal.

Section 4.03 Subordinate officers, committees and agents. - The board of directors may from time to time elect such other officers and appoint such committees, employees or other agents as the business of the corporation may require, including one or more assistant secretaries, and one or more assistant treasurers, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the board of directors may from time to time determine. The board of directors may delegate to any officer or committee the power to elect subordinate officers and to retain or appoint employees or other agents, or committees thereof and to prescribe the authority and duties of such subordinate officers, committees, employees or other agents.

Section 4.04 Removal of officers and agents. - Any officer or agent of the corporation may be removed by the board of directors with or without cause. The removal shall be without prejudice to the contract rights, if any, of any person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 4.05 Vacancies. - A vacancy in any office because of death, resignation, removal, disqualification, or any other cause, shall be filled by the board of directors or by the officer or committee to which the power to fill such office has been delegated pursuant to Section 4.03, as the case may be, and if the office is one for which these bylaws prescribe a term, shall be filled for the unexpired portion of the term.

Section 4.06 Authority. - All officers of the corporation, as between themselves and the corporation, shall have such authority and perform such duties in the management of the corporation as may be provided by or pursuant to resolutions or orders of the board of directors or in the absence of controlling provisions in the resolutions or orders of the board of directors, as may be determined by or pursuant to these bylaws.

Section 4.07 The chairman and vice chairman of the board. - The chairman of the board or, in the absence of the chairman, the vice chairman of the board, shall preside at all meetings of the shareholders and of the board of directors and shall perform such other duties as may from time to time be requested by the board of directors.

Section 4.08 The president. - The president shall be the chief executive officer of the corporation and shall have general supervision over the business and operations of the corporation, subject however, to the control of the board of directors. The president shall sign, execute, and acknowledge, in the name of the corporation, deeds, mortgages, bonds, contracts or other instruments authorized by the board of directors, except in cases where the signing and execution thereof shall be expressly delegated by the board of directors, or by these bylaws, to some other officer or agent of the corporation; and, in general, shall perform all duties incident to the office of president and such other duties as from time to time may be assigned by the board of directors.

Section 4.09 The vice presidents. - The vice presidents shall perform the duties of the president in the absence of the president and such other duties as may from time to time be assigned to them by the board of directors or the president.

Section 4.10 The secretary. - The secretary or an assistant secretary shall attend all meetings of the shareholders and of the board of directors and shall record all the votes of the shareholders and of the directors and the minutes of the meetings of the shareholders and of the board of directors and of committees of the board in a book or books to be kept for that purpose; shall see that notices are given and records and reports properly kept and filed by the corporation as required by law; shall be the custodian of the seal of the corporation and see that it is affixed to documents executed on behalf of the corporation under its seal; and, in general, shall perform all duties incident to the office of secretary, and such other duties as may from time to time be assigned by the board of directors or the president.

Section 4.11 The treasurer. - The treasurer or an assistant treasurer shall have or provide for the custody of the funds or other property of the corporation; shall collect and receive or provide for the collection and receipt of moneys earned by or in any manner due to or received by the corporation; shall deposit all funds in his or her custody as treasurer in such banks or other places of deposit as the board of directors may from time to time designate; shall, whenever so required by the board of directors, render an account showing all transactions as treasurer and the financial condition of the corporation; and, in general, shall discharge such other duties as may from time to time be assigned by the board of directors or the president.

Section 4.12 Salaries. - The salaries of the officers elected by the board of directors shall be fixed from time to time by the board of directors or by such officer as may be designated by resolution of the board. The salaries or other compensation of any other officers, employees and other agents shall be fixed from time to time by the officer or committee to which the power to elect such officers or to retain or appoint such employees or other agents has been delegated pursuant to Section 5.03. No officer shall be prevented from receiving such salary or other compensation by reason of the fact that the officer is also a director of the corporation.

ARTICLE V
Shares

Section 5.01 Record holder of shares. - The corporation shall be entitled to treat the person in whose name any share or shares of the corporation stand on the books of the corporation as the absolute owner thereof, and shall not be bound to recognize any equitable or other claim to, or interest in, such share or shares on the part of any other person.

Section 5.02 Lost, destroyed or mutilated certificates. - The holder of any shares of the corporation shall immediately notify the corporation of any loss, destruction or mutilation of the certificate therefor, and the board of directors may, in its discretion, cause a new certificate or certificates to be issued to the holder, in case of mutilation of the certificate, upon the surrender of the mutilated certificate or, in case of loss or destruction of the certificate, upon satisfactory proof of the loss or destruction and, if the board of directors shall so determine, the deposit of a bond in such form and in such sum, and with such surety or sureties, as it may direct.

ARTICLE VI
Indemnification of Directors, 0fficers and 0ther Authorized Representatives

Section 6.01 General. - To the fullest extent permitted by Pennsylvania law, the corporation shall, in the case of directors and/or officers, and may, at the discretion of the Board of Directors in the case of employees and/or agents of the corporation, defend, indemnify and hold harmless any such person who was or is a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, an action, suit or proceeding by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys 'fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding. The indemnification provided by, or granted pursuant to, this Article VI shall, unless otherwise provided when authorized or ratified in the case of an employee or agent, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

Section 6.02 Interpretation. - The provisions of this Article are intended to constitute bylaws authorized by 15 Pa.C.S. 1746.

ARTICLE VII
Miscellaneous

Section 7.01 Fiscal year.—The fiscal year of the corporation shall fixed by the Board of Directors.

Section 7.02 Amendment of bylaws.

(a) General rule. - Except as provided in this Section 7.02 with respect to this Section 7.02 and Section 2.05, these bylaws may be amended either (i) by vote of the shareholders at any duly organized annual or special meeting of shareholders, or (ii) regardless of whether the shareholders have previously adopted or approved the bylaw being amended, by action of the Board of Directors. The shareholders may amend Section 2.05, or this Section 7.02 only by the affirmative vote of not less than two-thirds of the votes that all shareholders, voting as a single class, are entitled to cast thereon.

(b) Notification by shareholders. - The notice of a meeting of the shareholders that will act on an amendment to these bylaws shall state that the purpose, or one of the purposes, of the meeting is to consider an amendment of the bylaws and there shall be included in, or enclosed with, the notice a copy of the proposed amendment or a summary of the changes to be effected thereby.

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Exhibit 32.0

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 Quarterly Report of L. B. Foster Company (the “Company”) on Form 10-Q for the period ended September 30, 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: November 7, 2012	/s/ Robert P. Bauer Name: Robert P. Bauer Title: President and Chief Executive Officer
Date: November 7, 2012	/s/ David J. Russo Name: David J. Russo Title: Senior Vice President, Chief Financial Officer and Treasurer