

FOSTER L B CO
Form 10-K
March 16, 2011

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

FORM 10-K

(Mark One)

Annual Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2010

Or

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

For the transition period from _____ to _____

Commission File Number 0-10436

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

Pennsylvania
(State of Incorporation)

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

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

15220
(Zip Code)

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

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

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing Yes No

requirements for the past 90 days.

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

* The registrant has not yet been phased into the interactive data requirements.

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant’s most recently completed second fiscal quarter was \$256,401,729.

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

Class	Outstanding at February 21, 2011
Common Stock, Par Value \$0.01	10,281,138 shares

Documents Incorporated by Reference:

Portions of the Proxy Statement prepared for the 2011 annual meeting of stockholders are incorporated by reference in Items 10, 11, 12 and 14 of Part III of this Form 10-K.

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Forward Looking Statements

Disclosures in this Annual Report on Form 10-K contain certain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Statements that do not relate strictly to historical or current facts are forward-looking and usually identified by the use of words such as "anticipate," "estimate," "could," "would," "will," "may," "forecasts," "approximate," "expect," "project," "intend," "plan," "believe" and other words of similar meaning in connection with any discussion of future operating or financial matters. Without limiting the generality of the foregoing, forward-looking statements contained in this report include the matters discussed in the sections captioned "Outlook" in Management's Discussion and Analysis of Financial Condition and Results of Operation and the expectations of plans, strategies, objectives and growth and anticipated financial and operational performance of the Company and its subsidiaries, including statements related to the Company's acquisition of Portec Rail Products, Inc. These statements involve risks and uncertainties that could cause actual results to differ materially from projected results. Accordingly, investors should not place undue reliance on forward-looking statements as a prediction of actual results. The L.B. Foster Company (the "Company" or "L.B. Foster") has based these forward-looking statements on current expectations and assumptions about future events. While the Company considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks and uncertainties, most of which are difficult to predict and many of which are beyond the Company's control. The risks and uncertainties that may affect the operations, performance and results of the Company's business and forward-looking statements include, but are not limited to, those set forth under Item 1A, "Risk Factors" and elsewhere in this Form 10-K.

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

PART I

ITEM 1. BUSINESS

Acquisition of Portec Rail Products, Inc.

On December 15, 2010, the Company acquired Portec Rail Products, Inc. (Portec). The Company acquired all of the outstanding shares of Portec common stock for \$11.80 per share, or approximately \$113.3 million, in cash. Portec has served the railroad industry since 1906 by manufacturing, supplying and distributing a broad range of rail products, including rail anchors, rail spikes, friction management products, wayside data collection and data management systems and freight car securement systems. Portec's major product lines and services are further described below:

Friction Management. Friction Management represents a significant portion of Portec's business. Portec provides products and services that control the friction at the rail/wheel interface, helping to lower fuel usage and improve train-operating efficiency, extend the life of operating assets such as rail and wheels, reduce track stresses and lower related maintenance and operating costs for customers. Friction management products include mobile and wayside application systems that distribute lubricants and friction modifiers, lubricants, solid and liquid friction modifiers, along with a variety of field service and support capabilities including remote performance monitoring (RPM™) for wayside and mobile units. Portec's friction management products are designed, engineered, manufactured and assembled in the United States and by wholly-owned subsidiaries Portec Rail Products Ltd located in Montreal, Quebec, Canada, Kelsan Technologies Corp., located in North Vancouver, British Columbia, Canada and Portec Rail Products (UK) Ltd. located in Sheffield, United Kingdom.

Wayside Data Collection and Data Management Systems. Portec, through a wholly-owned subsidiary Salient Systems, Inc., designs, manufactures and provides wayside measurement and detection products, services and support for the global railway transportation industry. Salient Systems' products are engineered to enhance its rail customers' equipment utilization by improving reliability and reducing maintenance expense.

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Securement Systems. Portec, through its Shipping Systems Division (SSD), engineers and sells load securement systems to the railroad industry. These systems secure a wide variety of products and lading onto freight cars. SSD's customers include railroads, railcar builders, railcar repair shops and railcar lessors. Most of the assembly work for SSD is performed at a facility located in Kenova, WV, although some manufacturing is subcontracted to independent third parties.

Track Components. Portec produces rail anchors and track spikes at its manufacturing plant in St. Jean, Quebec, primarily for the Canadian railroads, with some products exported to the United States and other international customers. Rail anchors and track spikes are devices used to secure rails to wooden ties to restrain the movement of the rail. Portec, through a United Kingdom subsidiary, Coronet Rail Ltd. (Coronet) designs and manufactures a complete line of rail joints including the epoxy (glue) insulated rail joints, nylon-encapsulated insulated joints, and also distributes a complete line of track fasteners to the United Kingdom railways and to international customers.

Summary Description of Businesses

L. B. Foster Company is a leading manufacturer, fabricator and distributor of products and services for the rail, construction, energy and utility markets. As used herein, "Foster" or the "Company" means L. B. Foster Company and its divisions and subsidiaries, unless the context otherwise requires.

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

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

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

The Company has a joint venture, L B Pipe & Coupling Products, LLC, with L B Industries, Inc. The Company and L B Industries each have a 45% ownership interest. This venture manufactures, markets and sells various products for the energy, utility and construction markets.

The Company classifies its activities into three business segments: Rail products, Construction products, and Tubular products. Financial information concerning the segments is set forth in Item 8, Note 2. The following table shows, for the last three fiscal years, the net sales generated by each of the current business segments as a percentage of total net sales.

	Percentage of Net Sales		
	2010	2009	2008
Rail Products	45%	46 %	45 %
Construction Products	49	49	48
Tubular Products	6	5	7
	100 %	100 %	100 %

RAIL PRODUCTS

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

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

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

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

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

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

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

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

CONSTRUCTION PRODUCTS

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

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

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

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

TUBULAR PRODUCTS

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

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JOINT VENTURE

In May 2009, the Company completed the formation of a joint venture with L B Industries, Inc. for a period of 9.5 years. The Company and L B Industries each have a 45% ownership interest in the joint venture, L B Pipe & Coupling Products, LLC. The Company has made all of its mandatory capital contributions under the joint venture agreement totaling \$2.2 million.

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

MARKETING AND COMPETITION

L. B. Foster Company generally markets its rail, construction and tubular products directly in all major industrial areas of the United States, Canada and the United Kingdom through a sales force of 77 people. The Company's new wholly-owned Portec subsidiary uses a combination of employee sales personnel, third party sales representatives and distributors to call on customer purchasing managers, engineers and operations managers. Internationally, Portec utilizes a network of agents across Europe, South America and Asia to supplement its internal sales force to reach current customers and cultivate potential customers in these areas. The Company maintains 15 sales offices and 22 warehouses, plant and yard facilities located throughout United States, Canada and United Kingdom. During 2010, approximately 5% of the Company's total sales were for export.

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

RAW MATERIALS AND SUPPLIES

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

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

BACKLOG

The dollar amount of firm, unfilled customer orders at December 31, 2010 and 2009 by business segment follows:

	December 31,	
	2010	2009
	In thousands	
Rail Products	\$86,404	\$54,505
Construction Products	102,173	120,845

Tubular Products	720	3,221
Total	\$189,297	\$178,571

Included within Rail Products in the above table is approximately \$16.0 million in backlog acquired from the acquisition of Portec. Approximately 4% of the December 31, 2010 backlog is related to projects that will extend beyond 2011.

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RESEARCH AND DEVELOPMENT

Expenditures for research and development totaled \$0.3 million in 2010 and \$0.2 million in 2009.

PATENTS AND TRADEMARKS

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

ENVIRONMENTAL DISCLOSURES

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

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

See Item 3, Legal Proceedings, for information regarding the Niagara Mohawk Power Corporation Comprehensive Environmental Response, Compensation and Liability Act claim regarding property located in Troy, New York.

EMPLOYEES AND EMPLOYEE RELATIONS

As of December 2010, the Company had 866 employees, of whom 100 were located in Canada, 50 were located in the United Kingdom with the remaining located in the United States. There were 457 hourly production workers and 409 salaried employees. Of these hourly production workers, 163 are represented by unions. The Company has not suffered any major work stoppages during the past five years and considers its relations with its employees to be satisfactory.

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

FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

Financial information concerning information about geographic areas is set forth in Item 8, Note 2.

FINANCIAL INFORMATION ABOUT SEGMENTS

Financial information concerning information about segments is set forth in Item 8, Note 2.

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ITEM 1A. RISK FACTORS

Risks and Uncertainties

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

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

The integration of our recently completed acquisitions could result in the loss of key employees or other workforce disruptions that may have a material adverse effect on our operations or profitability.

It is possible that the Portec merger could result in the loss of key employees, result in the disruption of one or more of its ongoing businesses or identify inconsistencies in standards, controls, procedures and policies that adversely affect one or more of its operations' ability to maintain relationships with customers, suppliers or creditors. Employee retention before, during or after the combination may be challenging as employees may experience uncertainty about future roles until strategies with regard to the combined company are announced or executed.

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

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

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

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

Our business operates in a highly competitive industry.

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

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

The Company owns a number of patents and trademarks under the intellectual property laws of the United States, Canada and the United Kingdom. These patent protections begin expiring in 2014. However, the Company has not perfected patent and trademark protection of our proprietary intellectual property in other countries. The failure to

obtain patent and trademark protection in other countries may result in other companies copying and marketing products that are based upon the Company's proprietary intellectual property. This could impede growth into new markets where the Company does not have such protections and result in greater supplies of similar products, which in turn could result in a loss of pricing power and reduced revenue.

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We are dependent upon key customers.

Foster could be adversely affected by changes in the business or financial condition of a customer or customers. No assurances can be given that a significant downturn in the business or financial condition of a customer, or customers, would not impact our results of operations and /or financial condition.

A significant decrease in capital spending by our railroad customers could negatively impact our product revenue. The Company's CXT Rail operation and ARP division are dependent on the Union Pacific Railroad (UPRR) for a significant portion of their business. The CXT Rail operation was awarded a long-term contract in 2005 from the UPRR for the supply of prestressed concrete railroad ties. CXT Rail expanded and modernized its Grand Island, NE plant in 2005, and completed construction of a new facility in Tucson, AZ in 2006 to accommodate the contract's requirements. UPRR has agreed to purchase minimum annual quantities from the Tucson, AZ facility through December 2012. In December 2010, the UPRR opted not to extend the supply agreement for the Grand Island, NE plant.

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

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

Historically, substantially all of the Company's business has been conducted in the United States. With the Company's acquisition of Portec, the Company will be expanding into international markets, primarily Canada and the United Kingdom. Additionally, the Company is placing increased emphasis on the expansion of our international sales opportunities. Doing business outside the United States subjects the Company to various risks, including changing economic, climate and political conditions, work stoppages, exchange controls, currency fluctuations, armed conflicts and unexpected changes in United States and foreign laws relating to tariffs, trade restrictions, transportation regulations, foreign investments and taxation. Increasing sales to foreign countries will expose the Company to increased risk of loss from foreign currency fluctuations and exchange controls as well as longer accounts receivable payment cycles. The Company has little control over most of these risks and may be unable to anticipate changes in international economic and political conditions and, therefore, unable to alter its business practices in time to avoid the adverse effect of any of these possible changes.

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

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

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

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

materials were to change in a significantly unfavorable manner.

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

We have a joint venture with L B Industries, Inc. and another party to manufacture, market and sell various products for the energy, utility and construction markets. In connection with the joint venture agreement, we were required to make capital contributions of \$2.2 million, which the Company met in 2010. No assurances can be given that additional capital contributions will not be required or that the joint venture will perform in accordance with our expectations.

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

Four of the Company's manufacturing facilities are staffed by employees represented by labor unions. These 163 employees are currently working under three separate collective bargaining agreements.

In October 2007, we negotiated the renewal of the collective bargaining agreement with our Spokane, WA workforce represented by the United Steelworkers Local Number 338. This agreement, covering approximately 80 employees, expires in September 2011.

In October 2010, we negotiated the renewal of the collective bargaining agreement with our Bedford, PA workforce represented by the Shopman's Local Union Number 527. This agreement, covering approximately 50 employees, expires in March 2014.

The collective bargaining agreement with our St. Jean, Quebec, Canada workforce is represented by the Canadian Steel Workers Union Local Number 9443. This agreement, covering approximately 30 employees, expires in August 2013.

The existing collective bargaining agreements may not prevent a work stoppage at L. B. Foster's facilities.

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

We may not be able to collect future contingent payments in connection with the sale of our investment in DM&E. As part of the 2007 sale of our investment in the Dakota, Minnesota and Eastern Railroad (DM&E) to the Canadian Pacific Railway Limited (CP), we received the right to future contingent payments based on (i) construction commencing on the Powder River Basin Expansion Project (PRB) and (ii) certain PRB tonnage thresholds being surpassed. The CP is obligated to pay the DM&E's former equity holders an aggregate of \$350.0 million, plus interest at 5% per annum, if the CP commences construction of the PRB expansion prior to December 31, 2025. Additionally, CP shall cause the former equity holders to receive certain payments not to exceed \$707.0 million if the CP attains milestones, as set forth in the sales agreement, related to PRB coal tonnage thresholds prior to December 31, 2025.

Our share of any of this construction milestone payment or individual future coal milestone payments, if any such payments are made, prior to expenses and any offsets, is approximately 12¼%. No assurances can be given that any of these payments will be made and the Company does not know whether the CP will construct the PRB expansion.

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

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

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

Location	Function	Acres	Business Segment	Lease Expires
Bedford, PA	Bridge component fabricating plant.	10	Construction	Owned
Birmingham, AL	Pipe coating facility.	32	Tubular	2017
Columbia City, IN	Rail processing facility and yard storage.	22	Rail	Owned
Georgetown, MA	Bridge component fabricating plant.	11	Construction	Owned
Grand Island, NE	CXT concrete tie plant.	9	Rail	2011
Hillsboro, TX	Precast concrete facility.	9	Construction	Owned
Houston, TX	Casing, upset tubing, threading, heat treating and painting. Yard storage.	20	Tubular, Rail and Construction	2018
Kenova, WV	Friction management products facility.	N/A	Rail	2014
Leicester, United Kingdom	Material handling manufacturing plant.	N/A	Rail	2014
Magnolia, TX	Joint venture manufacturing facility.	35	Tubular	Owned
Niles, OH	Rail fabrication. Yard storage.	35	Rail	Owned
North Vancouver, British Columbia, Canada	Friction management products plant.	N/A	Rail	2011
Petersburg, VA	Piling storage facility.	48	Construction	Owned
Pueblo, CO	Rail joint manufacturing.	9	Rail	Owned
Saint-Jean-sur-Richelieu, Quebec, Canada	Rail anchors and track spikes manufacturing plant.	17	Rail	Owned
Sheffield, United Kingdom	Track component and friction management products facility.	N/A	Rail	2019
Spokane, WA	CXT concrete tie plant.	13	Rail	2015
Spokane, WA	Precast concrete facility.	5	Construction	2015
Tucson, AZ	CXT concrete tie plant.	19	Rail	2012

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

The lease covering the Grand Island, NE CXT concrete tie plant expired in December 2010 coinciding with the expiration of the concrete tie supply agreement at this facility with the UPRR. The UPRR opted not to extend the supply agreement for the Grand Island, NE plant. The production for the remaining orders was completed by the end of February 2011 and the Company expects the process to dismantle the facility, according to the terms of the long-term contract, will be completed during the third quarter of 2011.

Regarding the lease covering the North Vancouver, British Columbia, Canada location expiring in 2011, the Company is in the process of relocating this office and has signed a new lease expiring in 2016.

Including the properties listed above, the Company has 15 sales offices, including its headquarters in Pittsburgh, PA and four business offices acquired through the Portec acquisition, and 22 warehouses, plant and yard facilities located throughout the United States, Canada and United Kingdom. The Company's facilities are in good condition.

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ITEM 3. LEGAL PROCEEDINGS

In July 1999, Portec, Inc., the predecessor of Portec Rail Products, was named as a defendant in Niagara Mohawk Power Corporation v. Chevron, et al. venued in the United States District Court, Northern District of New York. The plaintiff, Niagara Mohawk Power Corporation (“Niagara Mohawk”) is seeking contribution from nine named defendants for costs it has incurred, and is expected to incur, in connection with the environmental remediation of property located in Troy, New York under the Comprehensive Environmental Response, Compensation and Liability Act, also known as “CERCLA” or “Superfund,” and other causes of action. The basis of the action stems from Niagara Mohawk’s agreement with the New York State Department of Environmental Conservation, pursuant to an Order on Consent, to environmentally remediate property identified as the Troy Water Street Site. The defendants consist of companies that at the time were industrial in nature, or owners of companies industrial in nature, and who owned or operated their businesses on portions of the Troy Water Street site or on properties contiguous, or otherwise in close proximity, to the Troy Water Street Site. Niagara Mohawk alleges that the defendants either released hazardous materials directly to the Troy Water Street site or released hazardous materials that migrated onto the Troy Water Street Site, and therefore the defendants should be responsible for a portion of the costs of remediation.

The plaintiff seeks to recover costs, which it has incurred, and may continue to incur, to investigate and remediate its former property as required by the New York State Department of Environmental Conservation (NYSDEC). Portec has not been named as a liable party by the NYSDEC and it believes it will have no liability to the plaintiff in the case. It filed a motion for summary judgment seeking a ruling to have Portec dismissed from the case. In November 2003, the motion for summary judgment was granted and Portec was dismissed from the case by the United States District Court for the Northern District of New York. In March 2004, the plaintiff filed a notice of appeal to the United States Court of Appeals for the Second Circuit, appealing, in part, the District Court’s decision to dismiss all claims against Portec. In April 2005, the plaintiff’s appeal was dismissed by the Second Circuit Court without prejudice, and the matter was remanded to the United States District Court for the Northern District of New York for consideration in light of a recent United States Supreme Court decision. As a result, in June 2006, the District Court dismissed all claims brought by the plaintiff pursuant to CERCLA. In July 2006, the plaintiff filed a notice of appeal to the Second Circuit. However, in early 2008, the plaintiff’s appeal was dismissed again by the Second Circuit Court without prejudice, and the matter was remanded to the District Court for consideration in light of another recent United States Supreme Court decision. In July 2008, The District Court decided that the United States Supreme Court decision did not necessitate any change in the District Court’s prior determinations in this case and held that all of its prior rulings stand. In August 2008, the plaintiff filed a third notice of appeal to the Second Circuit Court. On February 24, 2010, the Second Circuit issued its decision, reversing the order of the District Court which dismissed Portec from the litigation, stating that there were genuine issues of material fact. In addition, the Second Circuit reinstated the plaintiff’s CERCLA claims, stating that the plaintiff is entitled to bring a claim for contribution under Section 113(f)(3)(B) of CERCLA. Ongoing litigation may be protracted, and Portec may incur additional ongoing legal expenses, which are not estimable at this time. Should Portec ultimately be held liable, damages may be assessed by the Court in accordance with CERCLA.

The Company believes that Niagara Mohawk’s case against it is without merit. Because Niagara Mohawk is seeking unspecified monetary contribution from the defendants, no specific claim for contribution from Portec has been asserted. It is possible that such a contribution would have a material adverse effect on the Company’s financial condition or results of operations. However, total clean up costs at the Troy Water Street site are expected to be substantial. If liability for a portion of these costs is attributed to Portec, such liability could be material. Furthermore, if Niagara Mohawk wins on appeal, ongoing litigation may be protracted and legal expenses may be material to the Company’s results of operations.

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In November 2005, the City of Clearfield, Utah, filed suit in the Second District Court, Davis County, Utah, against the Utah Department of Transportation, a general contractor, four design engineers and/or consultants, a bonding company and the Company. The City alleged that the design and engineering of an overpass in 2000 had been faulty and that the Company had provided the mechanical stabilized earth wall system for the project. The City alleged that the embankment to the overpass began, in 2001, to fail and slide away from the stabilized earth wall system, resulting in damage in excess of \$3,000,000. The City has agreed to settle its claims against several of the defendants and this settlement has been challenged by other defendants. The Company believes that it has meritorious defenses to these claims, that the Company's products complied with all applicable specifications and that other factors accounted for any alleged failure. The Company has referred this matter to its insurance carrier, which, although it reserved its right to deny coverage, has undertaken the defense of this claim. The Company maintains a reserve of \$0.2 million for this matter.

On February 19, 2010, and through March 3, 2010, a total of five lawsuits initiated by purported shareholders of Portec were filed against several defendants including the Company and certain members of its Board of Directors. These lawsuits are directly related to the Agreement and Plan of Merger with L.B. Foster Company and Foster Thomas Company, which was signed on February 16, 2010.

The lawsuits alleged, among other things, that Portec's directors breached their fiduciary duties and L.B. Foster aided and abetted such alleged breaches of fiduciary duties. Based on these allegations, the lawsuits sought, among other relief, injunctive relief enjoining the defendants from consummating the Offer and the Merger. They also sought recovery of the costs of the action, including reasonable legal fees.

The three lawsuits filed in Allegheny County, Pennsylvania were consolidated and on March 22 and 23, 2010, hearings were held on Plaintiffs' Motion for Preliminary Injunction, which sought to enjoin the transaction set forth in the Agreement and Plan of Merger. On April 21, 2010, the Court of Common Pleas of Allegheny County, Pennsylvania (the "Court") entered an order in the matter captioned In Re Portec Rail Products, Inc. Shareholders Litigation, preliminarily enjoining Foster from completing the Offer until the Court determined that the Board of Directors of Portec has cured the breach of fiduciary duties as found by the Court and disclosed certain material information.

On June 24, 2010, the Court granted a Motion to Dissolve Preliminary Injunction in the case styled In Re Portec Rail Products, Inc. Shareholders Litigation.

On November 19, 2010, Plaintiffs in the consolidated Pennsylvania lawsuit filed a motion for an award of payment of attorneys' fees and costs, relating to the injunction entered in March 2010. The Company filed objections to that motion and it was argued before the Court on January 31, 2011. The Court has not yet ruled on the motion.

In the two lawsuits pending in West Virginia, Motions to Dismiss the lawsuits were filed in April 2010 on behalf of the Company and the Director Defendants. In both West Virginia cases, Plaintiffs have filed Motions for Preliminary Injunctions, but as of the date of this filing, no hearings have been scheduled.

Ongoing litigation in these matters may be protracted, and the Company may incur additional ongoing legal expenses, which are not able to be estimated at this time.

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EXECUTIVE OFFICERS OF THE REGISTRANT

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

Name	Age	Position
Stan L. Hasselbusch	63	President and Chief Executive Officer
Merry L. Brumbaugh	53	Vice President – Tubular Products
Samuel K. Fisher	58	Vice President – Rail Distribution
Donald L. Foster	55	Senior Vice President – Construction Products
Kevin R. Haugh	54	Vice President– CXT Concrete Products
John F. Kasel	46	Senior Vice President – Operations and Manufacturing
Brian H. Kelly	51	Vice President – Human Resources
Gregory W. Lippard	42	Vice President – Rail Product Sales
Konstantinos Papazoglou	58	Vice President – Friction Management
Linda K. Patterson	61	Controller
David J. Russo	52	Senior Vice President, Chief Financial and Accounting Officer and Treasurer
David R. Sauder	40	Vice President – Global Business Development
David L. Voltz	58	Vice President, General Counsel and Secretary

Mr. Hasselbusch has been Chief Executive Officer and a director of the Company since January 2002, and President of the Company since March 2000. He served as Vice President – Construction and Tubular Products from December 1996 to December 1998 and as Chief Operating Officer from January 1999 until he was named Chief Executive Officer in January 2002.

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

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

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

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

Mr. Kasel was elected Senior Vice President – Operations and Manufacturing in May 2005 having previously served as Vice President – Operations and Manufacturing since April 2003. Mr. Kasel served as Vice President of Operations for

Mammoth, Inc., a Nortek company from 2000 to 2003. His career also included General Manager of Robertshaw Controls and Operations Manager of Shizuki America prior to 2000.

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

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

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

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

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

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

Mr. Voltz was elected Vice President, General Counsel and Secretary in December 1987. Mr. Voltz joined the Company in 1981.

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

Code of Ethics

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

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PART II

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

Stock Market Information

The Company had 511 common shareholders of record on February 1, 2011. Common stock prices are quoted daily through the NASDAQ Global Select Market quotation service (Symbol FSTR). The quarterly high and low bid price quotations for common shares (which represent prices between broker-dealers and do not include markup, markdown or commission and may not necessarily represent actual transactions) follow:

Quarter	2010		2009	
	High	Low	High	Low
First	\$32.49	\$25.21	\$33.14	\$20.56
Second	32.48	25.92	33.15	25.40
Third	31.69	25.52	35.00	28.00
Fourth	41.00	28.09	31.37	27.29

Dividends

No cash dividends were paid on the Company's Common stock during 2010 and 2009. On March 15, 2011, the Board of Directors authorized a \$0.025 per share quarterly cash dividend on its issued and outstanding shares of Common stock beginning with the first quarter of 2011. The Company's ability to pay cash dividends is limited by its revolving credit agreement.

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Performance Graph

The following table compares total shareholder returns for the Company over the last five years to the NASDAQ Composite Index and the Company's Peer Group assuming a \$100 investment made on December 31, 2005. Each of the three measures of cumulative total return assumes reinvestment of dividends. The stock performance shown on the graph below is not necessarily indicative of future price performance.

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

	Cumulative Total Return					
	12/05	12/06	12/07	12/08	12/09	12/10
L.B. Foster Company	\$ 100.00	\$ 174.20	\$ 347.79	\$ 210.30	\$ 200.42	\$ 275.25
NASDAQ Composite	100.00	111.74	124.67	73.77	107.12	125.93
Peer Group	100.00	117.09	129.39	97.06	99.50	125.66

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Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of December 31, 2010 with respect to compensation plans under which equity securities of the Company are authorized for issuance.

Plan Category	Number of securities		Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities to be issued upon exercise)
	to be issued upon exercise of outstanding options, warrants and rights			
Equity compensation plans approved by shareholders	80,950	\$	6.95	391,881
Equity compensation plans not approved by shareholders	-		-	-
Total	80,950	\$	6.95	391,881

The Company awarded shares of its common stock to its outside directors on a biannual basis from June 2000 through January 2003 under an arrangement not approved by the Company's shareholders. A total of 22,984 shares of common stock were so awarded and this program has been terminated. At the Company's 2003 Annual Shareholders' Meeting, a new plan was approved by the Company's shareholders under which outside directors received 2,500 shares of the Company's common stock at each annual shareholder meeting at which such outside director was elected or re-elected, commencing with the Company's 2003 Annual Shareholders' Meeting. Through 2005 there were 30,000 shares issued under this plan. This plan was discontinued on May 24, 2006 when the Company's shareholders approved the 2006 Omnibus Incentive Plan. Under the 2006 Omnibus Incentive Plan, non-employee directors automatically are awarded 3,500 shares, or a lesser amount determined by the directors, of the Company's common stock at each annual shareholder meeting at which such non-employee director is elected or re-elected, commencing May 24, 2006. Through December 31, 2010, there were 68,000 fully vested shares issued under the 2006 Omnibus Incentive Plan to non-employee directors. Additionally, pursuant to the 2006 Omnibus Incentive Plan, during 2008, the Company issued to its officers approximately 11,000 fully-vested shares in lieu of a cash payment earned under the Three Year Incentive Plan.

Issuer Purchases of Equity Securities

On May 12, 2008, the Board of Directors authorized the repurchase of up to \$25.0 million of the Company's common shares until June 30, 2010. On October 28, 2008, the Board of Directors authorized the repurchase of up to an additional \$15.0 million of the Company's common shares until December 31, 2010. While purchases were not suspended, the Company did not purchase any of its equity securities during 2010. Authorization for purchases under any plan expired on December 31, 2010 with the Company having repurchased 951,673 shares totaling approximately \$28.3 million.

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ITEM 6. SELECTED FINANCIAL DATA

Income Statement Data	Year Ended December 31,				
	2010 (1)	2009 (2)	2008 (3)	2007 (4)	2006 (5)
	(All amounts are in thousands, except per share data)				
Net sales	\$ 475,050	\$ 404,020	\$ 539,236	\$ 528,200	\$ 406,050
Operating profit	\$ 31,995	\$ 24,357	\$ 39,249	\$ 38,980	\$ 17,934
Income from continuing operations	\$ 20,492	\$ 15,727	\$ 27,746	\$ 110,724	\$ 10,715
(Loss) income from discontinued operations, net of tax	-	-	-	(31)	2,815
Net income	\$ 20,492	\$ 15,727	\$ 27,746	\$ 110,693	\$ 13,530
Basic earnings per common share:					
Continuing operations	\$ 2.01	\$ 1.55	\$ 2.60	\$ 10.39	\$ 1.03
Discontinued operations	-	-	-	-	0.27
Basic earnings per common share	\$ 2.01	\$ 1.55	\$ 2.60	\$ 10.39	\$ 1.30
Diluted earnings per common share:					
Continuing operations	\$ 1.98	\$ 1.53	\$ 2.57	\$ 10.09	\$ 0.99
Discontinued operations	-	-	-	-	0.26
Diluted earnings per common share	\$ 1.98	\$ 1.53	\$ 2.57	\$ 10.09	\$ 1.25

- (1) 2010 includes a pre-tax gain of \$1,364,000 associated with the remeasurement of the remaining Portec available-for-sale investment on the acquisition date.
- (2) 2009 includes a pre-tax gain of \$1,194,000 associated with the sale of available-for-sale marketable securities.
- (3) 2008 includes pre-tax gains of \$2,022,000 associated with the receipt of escrow proceeds related to the prior year sale of the Company's DM&E investment and \$1,486,000 from the sale and lease-back of our threaded products facility in Houston, TX.
- (4) 2007 includes \$8,472,000 in dividend income and a \$122,885,000 pre-tax gain due to the announcement and consummation, respectively, of the sale of the Company's investment in the DM&E.
- (5) 2006 includes a \$3,005,000 gain from the sale of the Company's former Geotechnical Division which was classified as discontinued operations.

Balance Sheet Data	December 31,				
	2010	2009	2008	2007	2006
Total assets	\$378,716	\$331,594	\$332,120	\$330,772	\$235,833
Working capital	142,463	210,332	202,264	200,645	90,844
Long-term debt	2,399	13,197	21,734	28,056	54,273
Stockholders' equity	255,747	232,592	217,562	213,826	98,033

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

Executive Level Overview

During 2010, we successfully completed two acquisitions totaling approximately \$120.2 million:

- Portec Rail Products, Inc. (Portec) - \$113.3 million.
- Interlocking Deck Systems International, LLC (IDSI) - \$6.9 million.

The total amount of cash used to make these acquisitions, including amounts paid in 2011, was approximately \$120.8 million, including approximately \$2.4 million of acquisition costs. These expenditures were reduced by approximately \$16.5 million of cash acquired as well as a divestiture of a business acquired with Portec which resulted in proceeds of approximately \$10.2 million. While our acquisitions caused our cash and cash equivalents balances to decrease, the following items helped to maintain our financial position:

- We generated \$59.5 million of cash from operating activities, which includes the previously mentioned acquisition costs.
 - We kept investments in our plants and facilities consistent with prior year levels.
 - We repaid \$23.4 million of total debt, including the pay-off of our term loan.

As of December 31, 2010, we had approximately \$74.8 million in cash and cash equivalents and a revolving credit facility with approximately \$60.2 million of availability while carrying only \$4.8 million in total debt.

2010 Developments

Acquisitions

Portec Rail Products, Inc.

On December 15, 2010, we closed our cash offer, originally announced on February 16, 2010 and amended on August 30, 2010, for all the issued and outstanding shares of Portec common stock at a purchase price of \$11.80 per share, or approximately \$113.3 million, including amounts paid in January 2011. On December 27, 2010, we completed the merger of Portec into a wholly-owned subsidiary.

The acquisition of Portec will help us become a strategic provider of products and services “below the wheel” for the Class I, transit, shortline and regional railroad and contractors in North America, as well as to railways, governmental agencies, passenger car manufacturers and rail contractors globally. It will broaden our offerings by adding Portec’s friction management and wayside detection products and services. This acquisition will also assist our international expansion of existing products as Portec currently has a strong presence in Canada and the United Kingdom through wholly-owned subsidiaries, and has continued to improve its presence in Europe, Brazil, Southeast Asia, China and Australia.

Portec will be reported through our Rail Products Segment. Since the acquisition date, Portec contributed \$4.8 million in net sales, \$0.6 million in gross profit and a net loss of \$(0.2) million for the period ended December 31, 2010. We do not believe the results generated from the two week period from the acquisition date through December 31, 2010 are indicative of Portec’s quarterly or annual results of operations.

Interlocking Deck Systems International LLC

On March 23, 2010, we purchased certain assets from IDSI. The purchase price was \$6.9 million and it was allocated to certain equipment, raw material inventory, other assets, proprietary software, intangibles, and goodwill related to IDSI's steel bridge decking business. We paid \$5.1 million in cash on the closing date and issued a note for the remaining purchase price, which is payable on the first and second anniversary of the closing in amounts of \$1.0 million on each anniversary. No liabilities were assumed in this acquisition.

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Recent Developments

In December 2010, the UPRR opted not to extend the supply agreement and lease renewal for the Grand Island, NE plant. Production for the remaining orders was completed during the first quarter of 2011. We believe the dismantling of the facility according to the terms of the supply agreement and the winding down of operations will be completed in the third quarter of 2011. Sales to the UPRR from this facility approximated \$20.4 million, \$11.5 million and \$12.8 million for the years ended December 31, 2010, 2009 and 2008, respectively.

We do not believe that the closure of this facility will have a significant, adverse impact on our results of operations or our liquidity.

General

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

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

Rail Products

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

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

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

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

Construction Products

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

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

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

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

Tubular Products

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

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

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

Joint Venture

In May 2009, the Company completed the formation of a joint venture with L B Industries, Inc. for a period of 9.5 years. The Company and L B Industries each have a 45% ownership interest in the joint venture (JV), L B Pipe & Coupling Products, LLC. The Company has made all of its mandatory capital contributions under the joint venture agreement totaling \$2.2 million.

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

Critical Accounting Policies and Estimates

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

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Goodwill – Goodwill is required to be tested for impairment at least annually. The Company performs its annual impairment test as of October 1st and more frequently when indicators of impairment are present. The goodwill impairment test involves comparing the fair value of a reporting unit to its carrying value, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, a second step is required to measure the goodwill impairment loss. This step compares the implied fair value of the reporting unit's goodwill to the carrying amount of that goodwill. If the carrying amount of the goodwill exceeds the implied fair value of the goodwill, an impairment loss equal to the excess is recorded as a component of continuing operations. The Company uses a combination of market approach and a discounted cash flow model (DCF model) to determine the current fair value of the business. A number of significant assumptions and estimates are involved in the application of the DCF model to forecast operating cash flows, including markets and market share, sales volume and pricing, costs to produce and working capital changes. The Company considers historical experience and available information at the time the fair values of its business are estimated. However, actual amounts realized may differ from those used to evaluate the impairment of goodwill. If actual results are not consistent with our assumptions and judgments used in estimating future cash flows and asset fair values, the Company may be exposed to impairment losses that could be material to our results of operations. There were no goodwill impairments recorded during the three years ended December 31, 2010.

Asset impairment – The Company is required to test for asset impairment whenever events or changes in circumstances indicate that the carrying value of an asset might not be recoverable. The Company applies the guidance in FASB ASC 360-10-35, and related guidance, in order to determine whether or not an asset is impaired. This guidance indicates that if the sum of the future expected cash flows associated with an asset, undiscounted and without interest charges, is less than the carrying value, an asset impairment must be recognized in the financial statements. The amount of the impairment is the difference between the fair value of the asset and the carrying value of the asset. The Company believes that the accounting estimate related to asset impairment is a “critical accounting estimate” as it is highly susceptible to change from period to period and because it requires management to make assumptions about the existence of impairment indicators and cash flows over future years. These assumptions impact the amount of an impairment, which would have an impact on the income statement. There were no asset impairments recorded during the three years ended December 31, 2010.

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

The Company believes that the accounting estimate related to the allowance for bad debts is a “critical accounting estimate” because the underlying assumptions used for the allowance can change from period to period and the allowance could potentially cause a material impact to the income statement. Specific customer circumstances and general economic conditions may vary significantly from management's assumptions and may impact expected earnings. At December 31, 2010 and 2009, the Company maintained an allowance for bad debts of \$1.6 million and \$1.1 million, respectively.

Product Liability – The Company maintains a current liability for the repair or replacement of defective products. For certain manufactured products, an accrual is made on a monthly basis as a percentage of cost of sales. For long-term construction projects, a liability is established when the claim is known and quantifiable. The product liability accrual is periodically adjusted based on the identification or resolution of known individual product liability claims. The

Company believes that this is a “critical accounting estimate” because the underlying assumptions used to calculate the liability can change from period to period. At December 31, 2010 and 2009, the product liability was \$4.4 million and \$3.4 million, respectively. For additional information regarding the Company’s product liability, refer to Part II, Item 8, Footnote 22 “Commitments and Contingent Liabilities.”

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

Revenue Recognition – The Company’s revenues are composed of product sales and products and services provided under long-term contracts. For product sales, the Company recognizes revenue upon transfer of title to the customer. Title generally passes to the customer upon shipment. In limited cases, title does not transfer and revenue is not recognized until the customer has received the products at its physical location. Shipping and handling costs are included in cost of goods sold. Revenues for products under long-term contracts are generally recognized using the percentage-of-completion method based upon the proportion of actual costs incurred to estimated total costs. For certain products, the percentage of completion is based upon actual labor costs to estimated total labor costs. Revenues recognized using percentage of completion were less than 10% of the Company’s consolidated revenues for the year ended December 31, 2010. With the addition of Portec, the contribution of revenues recognized using percentage of completion is expected to continue to decline in future periods.

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

The expected long-term rate of return reflects the average rate of earnings expected on funds invested or to be invested in the pension plans to provide for the benefits included in the pension liability. The Company establishes the expected long-term rate of return at the beginning of each fiscal year based upon information available to the Company at that time, including the plan’s investment mix and the forecasted rates of return on these types of securities. Any differences between actual experience and assumed experience are deferred as an unrecognized actuarial gain or loss. The unrecognized actuarial gains or losses are amortized in accordance with applicable guidance, generally FASB ASC 712, “Compensation – Nonretirement postemployment benefits.” The expected long-term rate of return determined by the Company for 2010 and 2009 pension expense was 7.75% in each year. Pension expense increases as the expected long-term rate of return decreases.

The assumed discount rate reflects the current rate at which the pension benefits could effectively be settled. In estimating that rate, applicable guidance requires that the Company looks to rates of return on high quality, fixed income investments. The Company’s pension liability increases as the discount rate is reduced. Therefore, the decline in the assumed discount rate has the effect of increasing the Company’s pension obligation and future pension expense. The weighted average assumed discount rate used by the Company was 5.50% and 6.00%, respectively, as of December 31, 2010 and 2009.

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

“critical accounting estimates”.

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

Refer to Part II, Item 8, Footnote 16, "Income Taxes". The Company's ability to realize these tax benefits may affect the Company's reported income tax expense and net income.

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

The Company's operations are subject to national, state, foreign, provincial, and/or local laws and regulations that impose limitations and prohibitions on the discharge and emission of, and establish standards for the use, disposal, and management of, regulated materials and waste, and that impose liability for the costs of investigating and cleaning up, and damages resulting from, present and past spills, disposals, or other releases of hazardous substances or materials. Liabilities are recorded when remedial efforts are probable and the costs can be reasonably estimated. Estimates are not reduced by potential claims for recovery. Claims for recovery are recognized as agreements are reached with third parties or as amounts are received. Established reserves are periodically reviewed and adjusted to reflect current remediation progress, prospective estimates of required activity, and other factors that may be relevant, including changes in technology or regulations. As of December 31, 2010 and 2009, the Company maintained environmental and legal contingency reserves approximating \$2.8 million and \$0.8 million, respectively.

Refer to Part II, Item 8, Footnote 22, "Commitments and Contingent Liabilities".

New Accounting Pronouncements

In June 2009, the FASB issued changes to the consolidation guidance applicable to a variable interest entity (VIE). FASB ASC Topic 810, "Consolidation," amends the guidance governing the determination of whether an enterprise is the primary beneficiary of a VIE, and is, therefore, required to consolidate an entity, by requiring a qualitative analysis rather than a quantitative analysis. The qualitative analysis will include, among other things, consideration of who has the power to direct the activities that most significantly impact the entity's economic performance and who has the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. This standard also requires continuous reassessments of whether an enterprise is the primary beneficiary of a VIE. Previously, FIN 46R required reconsideration of whether an enterprise was the primary beneficiary of a VIE only when specific events had occurred. FASB ASC 810 also requires enhanced disclosures about an enterprise's involvement with a VIE. The Company adopted the changes issued by the FASB to accounting for VIE's on January 1, 2010.

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In January 2010, the FASB issued Accounting Standards Update No. 2010-06, "Improving Disclosures about Fair Value Measurements." This Update provides amendments to FASB ASC 820, "Fair Value Measurements," that requires entities to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. In addition, the Update requires entities to present separately information about purchases, sales, issuances and settlements in the reconciliation for fair value measurements using significant unobservable inputs (Level 3). The disclosures related to Level 1 and Level 2 fair value measurements are effective for the Company beginning in 2010 and the disclosures related to Level 3 fair value measurements are effective for the Company in 2011. The Update requires only new disclosures and had no impact on the Company's financial statements.

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Quarterly Results of Operations

	Three Months Ended		Percent of Total Net Revenues		Percent Increase/(Decrease) 2010 vs. 2009
	December 31,		Three Months Ended December 31,		
	2010	2009	2010	2009	

Net Sales:

	2010	2009	2010	2009	
Rail Products	\$ 63,598	\$ 40,953	43.0 %	38.9 %	55.3 %
Construction Products	77,365	58,828	52.3	55.9	31.5
Tubular Products	7,020	5,390	4.7	5.1	30.2
Total Net Sales	\$ 147,983	\$ 105,171	100.0 %	100.0 %	40.7 %

	Three Months Ended		Gross Profit Percentage		Percent Increase/(Decrease) 2010 vs. 2009
	December 31,		Three Months Ended December 31,		
	2010	2009	2010	2009	

Gross Profit:

	2010	2009	2010	2009	
Rail Products	\$ 7,837	\$ 3,446	12.3 %	8.4 %	127.4 %
Construction Products	11,580	9,086	15.0	15.4	27.4
Tubular Products	1,830	(851)	26.1	(15.8)	315.0
LIFO Credit	852	4,364	0.6	4.1	(80.5)
Other	54	(459)	0.0	(0.4)	(111.8)
Total Gross Profit	\$ 22,153	\$ 15,586	15.0 %	14.8 %	42.1 %

	Three Months Ended		Percent of Total Net Revenues		Percent Increase/(Decrease) 2010 vs. 2009
	December 31,		Three Months Ended December 31,		
	2010	2009	2010	2009	

Expenses:

	2010	2009	2010	2009	
Selling and Administrative Expenses	\$ 12,763	\$ 8,794	8.6 %	8.4 %	45.1 %
Interest Expense	306	303	0.2	0.3	1.0
Gain on Marketable Securities	(1,364)	-	(0.9)	-	**
Equity in Gains of Nonconsolidated Investments	(59)	-	(0.0)	-	**

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Interest Income	(108)	(113)	(0.1)	(0.1)	(4.4)
Other Expense	3	10	0.0	0.0	**
Total Expenses	11,541	8,994	7.8	8.6	28.3
Income Before Income Taxes	10,612	6,592	7.2	6.3	61.0
Income Tax Expense	4,373	2,680	3.0	2.5	63.2
Net Income	\$ 6,239	\$ 3,912	4.2 %	3.7 %	59.5 %

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

Fourth Quarter 2010 Compared to Fourth Quarter 2009 – Company Analysis

Net income for the fourth quarter of 2010 was \$0.60 per diluted share, compared to \$0.38 per diluted share for the fourth quarter of 2009. We account for a portion of our inventory under the LIFO method. While the LIFO reserve requirements had positive impacts for the current period, the credit to gross profit resulting from this LIFO adjustment was significantly lower than in 2009.

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Having a positive impact in the 2010 fourth quarter was the recognition, in accordance with applicable acquisition accounting guidance, of the \$1.4 million pre-tax gain associated with the remeasurement of our holding of Portec equity securities prior to the acquisition. Additionally, we recorded our share of the income from our equity investment in our JV, which is reported as “Equity in Gains of Nonconsolidated Investments.”

There were two primary drivers of increased selling and administration expenses in the fourth quarter of 2010, acquisition costs and incentive compensation. We recognized \$1.2 million in acquisition costs in the fourth quarter of 2010 related to our acquisition of Portec. Additionally, results-driven compensation costs increased approximately \$2.0 million over the prior year period. Finally, Portec contributed \$0.9 million in selling and administrative expenses since the acquisition date. The increased effective income tax rate for the fourth quarter of 2010 to 41.2% from 40.7% in the prior year quarter resulted primarily from nondeductible acquisition costs.

Results of Operations – Segment Analysis

Rail Products

	Three Months Ended		Increase/(Decrease)		Percent	
	2010	December 31, 2009	2010 vs. 2009		2010 vs. 2009	
Dollars in thousands						
Net Sales	\$ 63,598	\$ 40,953	\$ 22,645		55.3	%
Gross Profit	\$ 7,837	\$ 3,446	\$ 4,391		127.4	%
Gross Profit Percentage	12.3	%	8.4	%	3.9	%
					46.4	%

Fourth Quarter 2010 Compared to Fourth Quarter 2009

Improved 2010 quarterly sales were reported across all of the divisions within our Rail Products segment, generally from improved volumes, over the prior year quarter. Our transit division’s growth in volumes continued to be aided by Federal stimulus spending. Due to increased 2010 purchases by the UPRR at both our Grand Island, NE and Tucson, AZ facilities, our sales of CXT concrete ties increased over the prior year quarter. Additionally, these two facilities had improved 2010 sales volumes from other customers. Finally, our new Portec subsidiary contributed \$4.8 million in additional net sales from the acquisition date.

While product mix led to our transit products division’s gross profit margin decreasing during the 2010 fourth quarter, the rest of our rail divisions experienced gross profit margin expansion over the 2009 period. Our rail distribution business and ARP division benefitted from reduced unabsorbed plant expenses while our relay rail distribution business was negatively impacted in the prior year quarter by lower of cost or market charges. Portec increased our Rail Products segment gross profit by approximately \$0.6 million, which included an increase to cost of goods sold of \$0.8 million related to recognition of a portion of the inventory step-up to fair value from Portec’s purchase price allocation.

Our CXT concrete tie division’s gross profit margin increased over the prior year quarter from a favorable \$1.8 million resolution of a supply chain dispute. Partially offsetting this were warranty charges of \$0.8 million recorded in the 2010 fourth quarter.

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Construction Products

	Three Months Ended		Increase/(Decrease)		Percent	
	December 31,		2010 vs. 2009		Increase/(Decrease)	
	2010	2009			2010 vs. 2009	
Dollars in thousands						
Net Sales	\$ 77,365	\$ 58,828	\$ 18,537		31.5 %	
Gross Profit	\$ 11,580	\$ 9,086	\$ 2,494		27.4 %	
Gross Profit Percentage	15.0 %	15.4 %	(0.5) %		(3.1) %	

Fourth Quarter 2010 Compared to Fourth Quarter 2009

All of our Construction Products divisions reported improved sales during the 2010 fourth quarter. Our piling division drove the increase with improved sales volumes of sheet piling, which more than offset pricing declines experienced by all piling products. Our concrete buildings division benefitted from significantly increased sales to federal agencies, a significant portion of which was attributable to stimulus legislation. Our fabricated products division sales improvement came predominately from stronger bridge decking sales.

While our fabricated products division was able to leverage increased volumes into expanded gross profit margins, overall our 2010 Construction Products gross profit margins were comparatively flat with the 2009 period. Our piling division's sales growth in the current quarter came at the expense of lower pricing due to commodity price declines as well as an extremely competitive environment, while our concrete buildings division's gross profit margins were hampered by increased plant expenses and lower margin products typically purchased by the federal agencies that drove the sales increase previously noted.

Tubular Products

	Three Months Ended		Increase/(Decrease)		Percent	
	December 31,		2010 vs. 2009		Increase/(Decrease)	
	2010	2009			2010 vs. 2009	
Dollars in thousands						
Net Sales	\$ 7,020	\$ 5,390	\$ 1,630		30.2 %	
Gross Profit	\$ 1,830	\$ (851)	\$ 2,681		315.0 %	
Gross Profit Percentage	26.1 %	(15.8) %	41.9 %		265.1 %	

Fourth Quarter 2010 Compared to Fourth Quarter 2009

Our coated products division continued to rebound from the recession driven downturn it experienced in the prior year, again more than doubling its 2009 quarter sales. This improvement was partially offset by reduced 2010 fourth quarter revenues from our threaded products division. This division's prior year period benefitted from a pricing strategy designed to accelerate our exit from the micropile market.

Our Tubular Products 2010 fourth quarter gross profit was significantly improved as our coated pipe division reported strong results and our threaded products division returned to profitability after being negatively impacted by reductions in pipe pricing, unfavorable manufacturing variances and slow moving inventory charges in the prior year period.

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Year-to-date Results of Operations

	Twelve Months Ended December 31,			Percent of Total Net Revenues Year Ended December 31,			Percent Increase/(Decrease) 2010 vs. 2009		2009 vs. 2008
	2010	2009	2008	2010	2009	2008	2009	2008	
	Dollars in thousands								
Net Sales:									
Rail Products	\$ 212,240	\$ 186,401	\$ 244,494	44.7 %	46.1 %	45.3 %	13.9 %	(23.8) %	
Construction Products	235,591	196,480	259,247	49.6	48.6	48.1	19.9	(24.2)	
Tubular Products	27,219	21,139	35,495	5.7	5.2	6.6	28.8	(40.4)	
Total Net Sales	\$ 475,050	\$ 404,020	\$ 539,236	100.0 %	100.0 %	100.0 %	17.6 %	(25.1) %	

	Twelve Months Ended December 31,			Gross Profit Percentage Year Ended December 31,			Percent Increase/(Decrease) 2010 vs. 2009		2009 vs. 2008
	2010	2009	2008	2010	2009	2008	2009	2008	
	Dollars in thousands								
Gross Profit:									
Rail Products	\$ 27,352	\$ 16,056	\$ 35,815	12.9 %	8.6 %	14.6 %	70.4 %	(55.2) %	
Construction Products	40,381	33,390	49,369	17.1	17.0	19.0	20.9	(32.4)	
Tubular Products	5,782	1,148	9,158	21.2	5.4	25.8	403.7	(87.5)	
LIFO Credit/(Expense)	2,276	11,039	(12,710)	0.5	2.7	(2.4)	(79.4)	186.9	
Other	(1,208)	(1,775)	(1,414)	(0.3)	(0.4)	(0.3)	(31.9)	25.5	
Total Gross Profit	\$ 74,583	\$ 59,858	\$ 80,218	15.7 %	14.8 %	14.9 %	24.6 %	(25.4) %	

	Twelve Months Ended December 31,			Percent of Total Net Revenues Year Ended December 31,			Percent Increase/(Decrease) 2010 vs. 2009		2009 vs. 2008
	2010	2009	2008	2010	2009	2008	2009	2008	
	Dollars in thousands								
Expenses:									
Selling and Administrative Expenses	\$ 42,588	\$ 35,501	\$ 40,969	9.0 %	8.8 %	7.6 %	20.0 %	(13.3) %	
Interest Expense	1,003	1,292	1,995	0.2	0.3	0.4	(22.4)	(35.2)	
Gain on Sale of DM&E Investment	-	-	(2,022)	-	-	(0.4)	-	(100.0)	
Gain on Sale of Houston, TX Property	-	-	(1,486)	-	-	(0.3)	-	(100.0)	
Gain on Marketable	(1,364)	(1,194)	-	(0.3)	(0.3)	-	14.2	**	

Securities										
Equity in Losses										
of										
Nonconsolidated										
Investment										
	213	-	-	0.0	-	-	**	-		
Interest Income	(403)	(789)	(2,675)	(0.1)	(0.2)	(0.5)	(48.9)	(70.5)		
Other										
(Income)/Expense	(196)	(435)	158	0.0	(0.1)	0.0	(54.9)	(375.3)		
Total Expenses	41,841	34,375	36,939	8.8	8.5	6.9	21.7	(6.9)		
Income Before Income Taxes	32,742	25,483	43,279	6.9	6.3	8.0	28.5	(41.1)		
Income Tax Expense	12,250	9,756	15,533	2.6	2.4	2.9	25.6	(37.2)		
Net Income	\$ 20,492	\$ 15,727	\$ 27,746	4.3 %	3.9 %	5.1 %	30.3 %	(43.3) %		

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

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The Year 2010 Compared to the Year 2009 – Company Analysis

Net income for 2010 was \$1.98 per diluted share, compared to net income of \$1.53 per diluted share for 2009. While the prior year period included a pre-tax gain of \$1.2 million on the sale of a portion of our investment in Portec, 2010 included a pre-tax gain of \$1.4 million recognized on the remaining available-for-sale investment due to the requirement to remeasure its fair value on the acquisition date. The 2010 improvement in gross profit is due, in part, to negative adjustments of approximately \$5.3 million taken in the 2009 period related to concrete tie issues as well as a significant current period improvement in manufacturing variances. Gross profit also increased over the prior year due to a favorable \$1.8 million resolution of a supply chain dispute. We account for a portion of our inventory under the LIFO method. The LIFO reserve requirements can be positively or negatively impacted by falling or rising prices. The credit to gross profit resulting from this LIFO adjustment was \$8.8 million lower in 2010 than in 2009, as there was greater price volatility in the prior year.

The foremost causes of the increased Selling and Administrative costs for the 2010 year-to-date period were \$2.4 million for acquisition costs, \$2.1 million for compensation expenses and \$0.8 million for bad debt expense, due to a recovery recorded in 2009.

For 2010, we recorded a \$0.2 million loss from our JV equity method investment. Our effective income tax rate for the 2010 period, 37.4% decreased compared to the 2009 period, 38.3%, due to increased domestic manufacturing credits partially offset by certain acquisition costs that were not deductible for tax purposes.

The Year 2009 Compared to the Year 2008 – Company Analysis

Net income for the year ended December 31, 2009 was \$1.53 per diluted share which compares to net income of \$2.57 per diluted share for the year ended December 31, 2008. Included in 2009 net income is the pre-tax gain associated with the sale of marketable securities (\$1.2 million). Included in net income for the prior year were pre-tax gains from the receipt of escrow proceeds related to the sale of our investment in the DM&E Railroad (\$2.0 million) and the sale-leaseback of our Houston, TX facility (\$1.5 million).

Due to the general declining price environment and reduced volumes caused by the recession in 2009, our gross profit was negatively impacted by market-related inventory adjustments and increased unfavorable manufacturing variances. These negative impacts were entirely mitigated by reduced LIFO reserve requirements for the full year 2009, while the prior year period included increased reserve requirements, and led to flat gross profit margins year over year.

The primary reasons for reduced selling and administrative costs were reduced incentive compensation, travel and entertainment expenses and bad debt expense. Interest expense decreased from the prior year period due primarily to reduced borrowings and secondarily lower interest rates. Sharply reduced interest rates resulted in lower interest income earned on our various cash and cash equivalent instruments. We sold a portion of our investment in marketable securities and realized a pre-tax gain of \$1.2 million. Income taxes in 2009 were recorded at approximately 38.3%, as compared to the prior year period rate of 35.9%, due to a lower manufacturing credit, state return to provision adjustments and reduced tax exempt interest income.

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Results of Operations – Segment Analysis

Rail Products

	Twelve Months Ended						Percent			
	December 31,						Increase/(Decrease)			
	2010		2009		2008		2010 vs. 2009		2009 vs. 2008	
	Dollars in thousands									
Net Sales	\$ 212,240	\$ 186,401	\$ 244,494	\$ 25,839	\$ (58,093)	13.9 %	(23.8) %			
Gross Profit	\$ 27,352	\$ 16,056	\$ 35,815	\$ 11,296	\$ (19,759)	70.4 %	(55.2) %			
Gross Profit Percentage	12.9 %	8.6 %	14.6 %	4.3 %	(6.0) %	49.6 %	(41.2) %			

The Year 2010 Compared to the Year 2009

The leader of sales growth within our Rail Products segment was our CXT concrete tie division. In addition to increased purchases by the UPRR in 2010, prior year sales by this division were reduced by \$2.8 million when the UPRR refused to accept certain ties produced at our Grand Island, NE facility due to the alleged quality of certain raw materials used in the manufacturing process. Both our ARP and transit divisions benefitted from improved volumes over the prior year period. Finally, our new Portec subsidiary contributed \$4.8 million in additional net sales since the acquisition date.

Improvements in our Rail Products gross profit were due primarily to the prior year charges of \$5.3 million related to concrete tie issues which occurred in 2009. Gross profit also increased over the prior year due to a favorable \$1.8 million resolution of a supply chain dispute. Additionally, improvements in selling margins including improved material variances, as well as improved manufacturing variances, had a positive impact on 2010 reported results. Lastly, while Portec increased our Rail Products segment gross profit by approximately \$0.6 million, it had no impact on our gross profit margin. Portec's gross profit included an increase to cost of goods sold of \$0.8 million related to recognition of a portion of the inventory step-up to fair value from Portec's purchase price allocation.

Excluding the \$5.3 million in concrete tie gross profit charges, our Rail Products segment gross profit would have increased approximately 140 basis points compared to the 2009 period. Our 2011 expectations for our Rail Products segment include:

- Increased capital expenditure spending by the Class I railroads.
 - A continued soft industrial market.
- Challenges from reduced sales related to the loss of the UPRR contract at our Grand Island, NE tie facility.
 - Sales and gross profit growth resulting from the Portec acquisition.

The Year 2009 Compared to the Year 2008

Reduced market demand within our rail distribution business drove the overall decrease in Rail Products sales for the year ended December 31, 2009 as compared to 2008. Depressed market conditions reduced sales in our transit products division compared to its record sales year in 2008.

Market conditions and low UPRR purchasing levels led to overall lower demand and sales of our CXT concrete ties throughout 2009. Also, our Grand Island, NE facility was negatively impacted by below-specification raw materials

that led the UPRR to reject certain concrete ties.

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Gross profit margin declined across most of our divisions within our Rail Products segment. Two causes of our reduced gross profit related to the following two specific issues at our concrete tie division. The first is the cumulative impact during 2009 of approximately \$2.7 million in warranty charges related to in-track failures of our prestressed concrete railroad ties. The second is the \$2.6 million of gross profit charges associated with the rejection by the UPRR of concrete railroad ties which contained below-specification raw materials. The remainder of the divisions experienced margin contraction during 2009 associated, generally, with demand and pricing declines with the exception of our ARP division. The demand declines resulted in decreased production volumes and caused increased unabsorbed plant expenses and increased charges for slow-moving and obsolete inventory. Notable unfavorable slow-moving and obsolete inventory charges were \$0.7 million recorded by our rail distribution business and \$0.6 million by our concrete tie businesses. The pricing declines contributed to unfavorable inventory adjustments.

Construction Products

	Twelve Months Ended December 31,			Increase/(Decrease)		Percent Increase/(Decrease)	
	2010	2009	2008	2010 vs. 2009	2009 vs. 2008	2010 vs. 2009	2009 vs. 2008
	Dollars in thousands						
Net Sales	\$ 235,591	\$ 196,480	\$ 259,247	\$ 39,111	\$ (62,767)	19.9 %	(24.2) %
Gross Profit	\$ 40,381	\$ 33,390	\$ 49,369	\$ 6,991	\$ (15,979)	20.9 %	(32.4) %
Gross Profit Percentage	17.1 %	17.0 %	19.0 %	0.1 %	(2.0) %	0.9 %	(10.8) %

The Year 2010 Compared to the Year 2009

All of the divisions within our Construction Products segment experienced strong sales increases in 2010. Our piling division's robust 2010 growth in sales volumes of sheet piling more than offset any pricing declines experienced by other piling products. Additionally, our concrete building division, realizing benefits from Federal spending partially due to the stimulus legislation, delivered sales growth in 2010. Finally, our fabricated products division continued to benefit from customer preference for our bridge decking solution. While sales have improved somewhat in 2010 from their 2009 levels, the backlog within this division is up approximately 52% over 2009.

Our Construction Products gross profit margin improved in all divisions with the exception of piling. Our piling division has experienced margin compression due to an intensely competitive bidding environment and a weak industrial market.

We continue to see a mixed outlook in our heavy civil and public works construction markets as we experience increased volumes that have been partially offset by declines in pricing. Also, we do not believe that our Construction Products segment will have the opportunities generated from the stimulus bill in 2011 as it did in 2010. A number of other factors are likely to impact our Construction Products segment sales and gross profit. Negative factors impacting these results include:

- Approximately 46 states currently facing, or are projecting to have, fiscal year 2011 budget deficits.
- 2005 federal legislation, SAFETEA-LU, authorizing transportation construction funding which expired in September 2009 and has been temporarily extended through September 30, 2011.
- The heavy civil and public works construction market that we participate in remains moderate nationwide leading to increased competition.

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The Year 2009 Compared to the Year 2008

Improved sales performance from both our fabricated products and concrete buildings divisions was entirely offset by significant sales declines by our piling division. Reduced demand caused by the nationwide softening in our heavy civil and public works construction markets led to reductions in sales volumes and pricing across most of our piling product offerings. Strong bridge activity drove the sales increases within our fabricated products division while increased new orders and sales provided growth within our concrete buildings division.

The impact of volume declines within our piling division and a declining price environment also contributed to the reduction of our Construction Products gross profit margin. Exclusive of the negative gross profit margin impacts from our piling division, the margins of the other divisions within this segment remained comparatively flat over the 2008 period.

Tubular Products

	Twelve Months Ended			Increase/(Decrease)		Percent	
	December 31,			2010 vs.		2009 vs.	
	2010	2009	2008	2009	2008	2009	2008
	Dollars in thousands						
Net Sales	\$ 27,219	\$ 21,139	\$ 35,495	\$ 6,080	\$ (14,356)	28.8 %	(40.4) %
Gross Profit	\$ 5,782	\$ 1,148	\$ 9,158	\$ 4,634	\$ (8,010)	403.7 %	(87.5) %
Gross Profit Percentage	21.2 %	5.4 %	25.8 %	15.8 %	(20.4) %	291.2 %	(79.0) %

The Year 2010 Compared to the Year 2009

The Tubular Products segment sales increase was driven primarily by our coated products division that rebounded from the recession driven downturn it experienced in 2009 as well as to sales increases in our threaded products division. Our Tubular Products 2010 gross profit was significantly improved as our threaded products division returned to profitability after being negatively impacted by reductions in pipe pricing, unfavorable manufacturing variances and slow moving inventory charges in the prior year period and, to a lesser extent, sales increases in our coated products division.

While the energy markets we participate in are getting stronger, they will be challenged by lower natural gas prices throughout 2011. As a result, our Tubular Products segment heads into 2011 with a significantly reduced backlog compared to when it entered 2010.

The Year 2009 Compared to the Year 2008

Significant weakness in the energy markets served by our Tubular Products segment resulted in reductions in sales volumes as well as profitability.

Reductions in pipe pricing and unfavorable manufacturing variances have had significant, adverse affects to the gross profit margins in our threaded products division. Although our threaded products facility reported a temporary increase in volumes from our strategy involved with exiting the micropile market, due to falling prices and reduced demand, we recorded a lower of cost or market adjustment of approximately \$0.8 million. Also, due to the slow down in market conditions, we recorded a charge of approximately \$0.5 million in this division related to slow-moving

inventory.

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Liquidity and Capital Resources

The following table sets forth L.B. Foster's capitalization:

	December 31,	
	2010	2009
Debt:	In millions	
Term loan, due May 2011	\$-	\$13.1
Capital leases	2.9	5.5
IDSi acquisition notes	1.9	-
Total Debt	4.8	18.6
Equity	255.7	232.6
Total Capitalization	\$260.5	\$251.2

The Company's need for liquidity relates primarily to seasonal working capital requirements, capital expenditures, joint venture capital obligations, potential additional strategic acquisitions and debt service obligations.

The following table summarizes the impact of these items during the past three years:

	December 31,		
	2010	2009	2008
Liquidity needs:	In millions		
Working capital and other assets and liabilities	\$28.7	\$2.9	\$(6.7)
Common stock purchases	-	(1.9)	(26.5)
Capital expenditures	(6.2)	(6.1)	(4.8)
Acquisitions, net of cash acquired	(90.8)	-	-
Investments/capital contributions	(0.8)	(1.4)	(1.7)
Repayments of term loan	(13.1)	(2.9)	(3.1)
Other long-term debt repayments	(10.3)	(6.1)	(3.6)
Cash interest paid	(0.8)	(1.1)	(1.9)
Net liquidity requirements	(93.3)	(16.6)	(48.3)
Liquidity sources:			
Internally generated cash flows before interest paid	31.7	24.1	32.7
Proceeds from the sale of DM&E investment	-	-	2.0
Proceeds from the sale of marketable securities	-	2.1	-
Proceeds from asset sales	10.2	-	6.6
Equity transactions	1.4	0.2	1.0
Net liquidity sources	43.3	26.4	42.3
Net Change in Cash	\$(50.0)	\$9.8	\$(6.0)

Cash Flow from Operating Activities

During 2010, cash flow from operations provided \$59.5 million, an increase of \$33.7 million compared to 2009. Net income and adjustments to net income provided \$30.7 million for 2010. This amount was supplemented with cash provided by working capital and other assets and liabilities of \$28.7 million. Even though 2010 fourth quarter sales increased over the prior year comparable period, we were able to reduce accounts receivable and inventory substantially, exclusive of the effects of the Portec acquisition.

During 2009, cash flow from operations provided \$25.7 million, an increase of \$1.6 million compared to 2008. Net income and adjustments to net income provided \$22.9 million for 2009. This amount was supplemented with cash provided by working capital and other assets and liabilities of \$2.9 million. Decreased 2009 fourth quarter sales from the prior year comparable period decreased accounts receivable while declining prices reduced inventory levels. Reduced incentive compensation decreased accrued payroll and employee benefits.

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During 2008, cash flows from operations provided \$24.1 million, an increase of \$28.7 million compared to 2007. Net income and adjustments to net income provided \$30.8 million for 2008. Offsetting this amount was cash used by working capital and other assets and liabilities of \$6.7 million. Higher 2008 fourth quarter sales over the prior comparable period increased accounts receivable while the settlement of the 2005-2007 Three Year Incentive Plan decreased accrued payroll and employee benefits. Partially offsetting these changes was an increase in trade accounts payable due to commodity cost increases.

Cash Flow from Investing Activities

Investing activities used \$87.6 million during 2010 primarily from our acquisitions of Portec and IDSI, net of Portec cash acquired. Capital expenditures totaled \$6.2 million. Also, we contributed an additional \$0.8 million to our joint venture. These uses were partially offset by the receipt of \$10.2 million in proceeds related to the DOJ required divestiture of the Portec rail joint business.

Investing activities used \$5.4 million during 2009 primarily from capital expenditures totaling \$6.1 million. Also, our capital contributions to our newly formed corporate joint venture used \$1.4 million in 2009. These uses were partially offset by \$2.1 million in proceeds provided by the sale of a portion of our investment in marketable securities. Capital spending during 2009 was primarily for the acquisition of land and construction of a building that will be leased to our joint venture. To a lesser extent, spending was for plant and equipment maintenance and other land uses as well as information technology infrastructure improvements.

In 2008, proceeds of \$6.6 million and \$2.0 million from the aforementioned threaded products facility and DM&E railroad sales, respectively, led to net cash being provided by continuing investing activities. Partially reducing these proceeds were our uses of cash for the purchase of available-for-sale equity securities of \$1.7 million and capital expenditures of \$4.8 million. Spending during 2008 was primarily for maintenance capital, productivity improvement and equipment spending at our manufacturing facilities and information technology enhancements.

Cash Flow from Financing Activities

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

Scheduled term loan repayments totaled \$2.9 million in 2009 while repayments of other debt, including the acceleration of repayment of certain other long-term debt instruments that had high interest rates and/or no prepayment penalties, totaled \$6.1 million. Additionally, during 2009 we used \$1.9 million to repurchase additional shares of our Common stock under share repurchase programs which began in the prior year period.

In 2008, purchases of our Common stock under applicable share repurchase programs of \$26.5 million was the primary use of cash for financing activities. Additionally, term loan repayments of \$3.1 million and repayments of other long-term debt of \$3.6 million contributed to net cash used by financing activities.

Financial Condition

As of December 31, 2010, we had approximately \$74.8 million in cash and cash equivalents after our predominately cash acquisitions of Portec and IDSI, which approximated \$90.8 million, net of cash acquired, and a revolving credit facility with approximately \$60.2 million of availability while carrying only \$4.8 million in total debt. We believe this capacity will afford us the flexibility to take advantage of opportunities that we may encounter as well as weather the continued weak economy while working to successfully integrate the operations of Portec.

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Included within cash and cash equivalents are primarily 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 all of which maintain AAA credit ratings. Our priority continues to be the maintenance of our principal balances.

Our revolving credit agreement, which expires in May 2011, provides for up to \$90.0 million in borrowings to support our working capital and other liquidity requirements. Borrowings under this agreement are secured by substantially all the trade receivables and inventory owned by us, and are limited to 85% of eligible receivables and 60% of eligible inventory. We are currently negotiating a new credit agreement with a consortium of banks that we expect to have completed by April 2011.

Revolving credit facility borrowings placed in LIBOR contracts are priced at prevailing LIBOR rates, plus 1.25%. Borrowings placed in other tranches are priced at the prevailing prime rate, minus 1.00%. The term loan base rate spread is fixed at prime minus 0.75% and the LIBOR spread is fixed at plus 1.50%. We paid off the term loan in December 2010. As of December 31, 2010 we were in compliance with all of the Agreement's covenants.

Tabular Disclosure of Contractual Obligations

A summary of the Company's required payments under financial instruments and other commitments at December 31, 2010 are presented in the following table:

	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Contractual Obligations	In thousands				
IDSI acquisition notes (1)	\$1,920	\$995	\$925	\$-	\$-
Imputed interest on IDSI acquisition notes (1)	30	25	5	-	-
Capital leases (2)	2,881	1,408	1,460	13	-
Interest on capital leases (2)	221	160	60	1	-
Portec acquisition (3)	8,952	8,952	-	-	-
Pension contributions	10,991	891	1,869	2,078	6,153
Operating leases	12,804	3,128	4,546	3,114	2,016
Purchase obligations not reflected in the financial statements	29,434	29,434	-	-	-
Total contractual cash obligations	\$67,233	\$44,993	\$8,865	\$5,206	\$8,169
Other Financial Commitments					
Standby letters of credit	\$1,112	\$1,112	\$-	\$-	\$-

(1) In connection with the acquisition of IDSI, the Company issued promissory notes of \$1.0 million payable on the first and second anniversary of the closing. Imputed interest was calculated at a rate of 2.10%

(2) Capital lease obligations are payable in installments through 2014 and have interest rates, payable monthly, ranging from 1.74% to 8.55%.

(3) This represents the final payment to the former shareholders of Portec common stock which was made in January 2011 pursuant to the completion of the short-form merger.

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

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

Off Balance Sheet Arrangements

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

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Dakota, Minnesota & Eastern Railroad

During 2007, we sold our investment in the DM&E. When this transaction closed, we reserved approximately \$2.1 million of the proceeds which were held in escrow to secure certain of the DM&E's obligations. This amount was fully reserved due to the uncertainty surrounding the amount of any future payout as well as the timing of such payout.

During the first quarter of 2008, upon completion of the buyer's working capital audit, the applicable proceeds were released from escrow pursuant to a favorable working capital adjustment. We recognized a pre-tax gain of approximately \$2.0 million related to the receipt of these proceeds.

Outlook

Our businesses and results of operations have been impacted by the downturn in the global economy. We believe that the recession, continued credit concerns and expected reductions in federal and state government spending will present challenges to many of the end markets to which we sell. As a result of continued soft demand for certain of our products as well as heightened competition, we expect to battle margin compression for at least the next six months. We expect to be challenged in 2011 by moderating sales volumes, production volumes and heightened competition caused by the recessionary economic environment. However, we also expect to be profitable and to generate positive cash flow. We believe that when conditions do improve the markets we participate in will be poised to benefit.

We completed the acquisition of Portec in December 2010. Possible impacts from the merger could result in the loss of key employees, result in the disruption of one or more of its ongoing businesses or identify inconsistencies in standards, controls, procedures and policies that adversely affect one or more of its operations' ability to maintain relationships with customers, suppliers or creditors. Employee retention before, during or after the combination may be challenging as employees may experience uncertainty about future roles until strategies with regard to the combined company are announced or executed.

The application of acquisition accounting guidance required us to write-up Portec inventory by approximately \$3.2 million to fair value less costs to sell. This will negatively impact our Rail Products segments gross profit as this increase is recognized in cost of goods sold. We recognized approximately \$0.8 million of this reduction in 2010. We expect this temporary reduction in gross profit, based on our preliminary estimate of the fair value of inventory less costs to sell, will last through the first quarter of 2011.

We have received increased orders from the UPRR for concrete ties at our Tucson, AZ facility increasing capacity utilization to approximately 90%.

As of December 31, 2010, we maintained a warranty reserve approximating \$2.2 million for potential warranty claims associated with concrete railroad ties. While we believe this is a reasonable estimate of our potential warranty claims, there can be no assurance that future potential costs pertaining to this claim or other potential future claims will not have a material impact on our results of operations.

Our agreements with the UPRR called for their purchasing concrete ties from our Grand Island, NE facility through 2010 and from our Tucson, AZ facility through 2012. In December 2010, the UPRR opted not to exercise their right to extend the supply agreement for the Grand Island, NE plant. We do not believe that the closure of this facility will have a significant, adverse impact on our results of operations or our liquidity.

Our ARP facilities in Niles, OH and Pueblo, CO have contracts with Class 1 railroads that are periodically subject to renewal which account for a significant portion of this division's business. If we are unable to successfully renew these contracts, our results of operations and financial position could be negatively impacted. Our two largest customers for this business have recently renewed their agreements for the next five years.

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Certain of our businesses rely heavily on spending authorized by the federal highway and transportation funding bill, SAFETEA-LU, enacted in August 2005. This legislation authorized \$286 billion for United States transportation improvement spending over a six-year period and expired in September 2009. On March 4, 2011, the United States Congress extended this legislation through September 30, 2011. While certain estimates of the amounts that may be authorized under successor legislation to SAFETEA-LU range from \$250 to \$550 billion, there is significant uncertainty as to the timing of the renewal of this multi-year surface transportation legislation and the potential impact it may have on our markets. SAFETEA-LU was not approved until nearly two years after the previous authorization expired. This delay had a materially detrimental impact upon the demand and spending levels in certain markets where we participated during 2003 to 2005.

We entered into a joint venture to manufacture, market and sell various products for the energy, utility and construction markets. In connection with the amended joint venture agreement we were required to make capital contributions of \$2.2 million. No assurances can be given that additional capital contributions will not be required or that the joint venture will perform in accordance with our expectations.

Although backlog is not necessarily indicative of future operating results, total Company backlog at December 31, 2010 was approximately \$189.3 million. The following table provides the backlog by business segment:

	December 31,		
	2010	2009	2008
	In thousands		
Backlog:			
Rail Products	\$86,404	\$54,505	\$69,912
Construction Products	102,173	120,845	58,013
Tubular Products	720	3,221	6,527
Total Backlog	\$189,297	\$178,571	\$134,452

Included within Rail Products in the above table is approximately \$16.0 million in backlog acquired from the acquisition of Portec.

We continue to evaluate the performance of our various operations. A decision to sell, down-size or terminate an existing operation could have a material adverse effect on near-term earnings but would not be expected to have a material adverse effect on the financial condition of the Company.

We completed the merger with Portec in December 2010. No assurances can be given that we will achieve the synergies and other benefits we expect from the integration as successfully or rapidly as projected, if at all.

Statements relating to the value of the Company's share of potential future contingent payments related to the DM&E merger with the Canadian Pacific Railway Limited (CP) are forward-looking statements and are subject to numerous contingencies and risk factors. The CP has stated that it may take several years for it to determine whether to construct the Powder River Basin Expansion Project.

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.

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

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

/s/ David J. Russo
David J. Russo
Senior Vice President,
Chief Financial and Accounting Officer,
and Treasurer

/s/Linda K. Patterson
Linda K. Patterson
Controller

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

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

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

Foreign Currency Exchange Rate Risk

The Company is subject to exposures to changes in foreign currency exchange rates. The Company manages its exposure to changes in foreign currency exchange rates on firm sale and purchase commitments by entering into foreign currency forward contracts. The Company's risk management objective is to reduce its exposure to the effects of changes in exchange rates on these transactions over the duration of the transactions. The Company did not engage in significant foreign currency hedging transactions during the three-year period ended December 31, 2010, and no foreign currency hedges remained outstanding as of December 31, 2010. Realized gains or losses from foreign currency hedges did not exceed \$0.1 million in any of the three years ended December 31, 2010. However, with the acquisition of Portec, the Company may increase its foreign currency hedging activity in future periods.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of L. B. Foster Company and Subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of L. B. Foster Company and Subsidiaries at December 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), L. B. Foster Company and Subsidiaries' internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 16, 2011, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Ernst & Young LLP

Pittsburgh, Pennsylvania
March 16, 2011

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Report of Independent Registered Public Accounting Firm

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

We have audited L.B. Foster Company and Subsidiaries' internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). L. B. Foster Company and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Portec Rail Products, Inc., which is included in the December 31, 2010 consolidated financial statements of L. B. Foster Company and Subsidiaries and constituted \$152.8 million of total assets as of December 31, 2010 and \$4.8 million of net sales for the year then ended. Our audit of internal control over financial reporting of L. B. Foster Company and Subsidiaries also did not include an evaluation of the internal control over financial reporting of Portec Rail Products, Inc.

In our opinion, L. B. Foster Company and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of L. B. Foster Company and Subsidiaries, as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010 and our report dated March 16, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Ernst & Young LLP

Pittsburgh, Pennsylvania
March 16, 2011

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L. B. FOSTER COMPANY AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 DECEMBER 31, 2010 AND 2009

	2010	2009
	In thousands, except share data	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$74,800	\$124,845
Accounts receivable - net	69,697	61,178
Inventories - net	90,367	98,982
Current deferred tax assets	911	