FOSTER L B CO
Form 10-Q
August 07, 2009

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

(Mark One)

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended June 30, 2009

Or

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from __________ to __________

Commission File Number 0-10436
L. B. Foster Company
(Exact name of Registrant as specified in its charter)

Pennsylvania	25-1324733
(State of Incorporation)	(I. R. S. Employer Identification No.)
415 Holiday Drive, Pittsburgh, Pennsylvania	15220
(Address of principal executive offices)	(Zip Code)

(412) 928-3417

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

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 such shorter period that the registrant was required to submit and post such files).* Yes o No o

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

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 o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

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

Class	Outstanding at July 28, 2009
Common Stock, Par Value $.01	10,155,714 Shares

L.B. FOSTER COMPANY AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

L. B. FOSTER COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands)

	June 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 118,090	$ 115,074
Accounts and notes receivable:		
Trade	49,688	63,271
Other	343	1,042
	50,031	64,313
Inventories	94,293	102,916
Current deferred tax assets	2,911	2,931
Prepaid income taxes	1,520	
Other current assets	1,641	1,221
Total Current Assets	268,486	286,455
Property, Plant & Equipment At Cost	99,522	97,439
Less Accumulated Depreciation	(61,506)	(57,450)
	38,016	39,989
Other Assets:		
Goodwill	350	350
Other intangibles net	31	37
Investments	4,541	2,856
Deferred tax assets	2,035	2,026
Other assets	367	407
Total Other Assets	7,324	5,676
TOTAL ASSETS	$ 313,826	$ 332,120
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Current maturities of long-term debt	$ 5,813	$ 5,777
Accounts payable trade	45,926	62,612
Accrued payroll and employee benefits	4,323	8,000

Other accrued liabilities	7,502	7,802
Total Current Liabilities	63,564	84,191
Long-Term Debt, Term Loan	11,905	13,333
Other Long-Term Debt	6,754	8,401
Deferred Tax Liabilities	2,426	2,046
Other Long-Term Liabilities	6,497	6,587
STOCKHOLDERS EQUITY:		
Common stock	111	111
Paid-in capital	47,698	47,585
Retained earnings	202,731	197,060
Treasury stock at cost	(27,836)	(26,482)
Accumulated other comprehensive loss	(24)	(712)
Total Stockholders Equity	222,680	217,562
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 313,826	$ 332,120

See Notes to Condensed Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(Unaudited)		(Unaudited)	
Net Sales	$ 93,771	$ 129,833	$ 191,515	$ 223,274
Cost of Goods Sold	80,939	107,948	165,001	185,768
Gross Profit	12,832	21,885	26,514	37,506
Selling and Administrative Expenses	8,612	9,959	17,639	19,325
Interest Expense	333	488	661	1,043
Gain on Sale of DM&E Investment				(2,022)
Gain on Sale of Houston, TX Property				(1,486)
Interest Income	(212)	(586)	(507)	(1,401)
Other (Income) Expense	(186)	(135)	(329)	16
	8,547	9,726	17,464	15,475
Income Before Income Taxes	4,285	12,159	9,050	22,031
Income Tax Expense	1,633	4,502	3,379	8,068
Net Income	$ 2,652	$ 7,657	$ 5,671	$ 13,963
Basic Earnings Per Share	$ 0.26	$ 0.70	$ 0.56	$ 1.28
Diluted Earnings Per Share	$ 0.26	$ 0.69	$ 0.55	$ 1.26

See Notes to Condensed Consolidated Financial Statements.

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L. B. FOSTER COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 5,671	$ 13,963
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Deferred income taxes	11	4
Depreciation and amortization	4,311	4,408
Gain on sale of DM&E investment		(2,022)
Gain on sale of property, plant and equipment	(1)	(1,476)
Deferred gain amortization on sale-leaseback	(107)	(72)
Stock-based compensation	545	652
Unrealized loss on derivative mark-to-market	32	34
Excess tax benefit from share-based compensation	(56)	(754)
Change in operating assets and liabilities:		
Accounts receivable	14,282	(20,255)
Inventories	8,623	(3,002)
Other current assets	(420)	(378)
Prepaid income tax	(1,464)	
Other noncurrent assets	15	15
Accounts payable trade	(16,686)	12,304
Accrued payroll and employee benefits	(3,677)	(5,439)
Other current liabilities	(300)	(425)
Other liabilities	17	(446)
Net Cash Provided (Used) by Operating Activities	10,796	(2,889)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property, plant and equipment	1	6,500
Proceeds from sale of DM&E investment		2,022
Capital contributions to equity method investment	(650)	
Capital expenditures on property, plant and equipment	(2,306)	(3,134)
Net Cash (Used) Provided by Investing Activities	(2,955)	5,388
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term debt, term loan	(1,428)	(1,666)
Proceeds from exercise of stock options and stock awards	21	464

Tax benefit related to stock options exercised	56	754
Treasury stock acquisitions	(1,863)	(13,831)
Repayments of other long-term debt	(1,611)	(1,669)
Net Cash Used by Financing Activities	(4,825)	(15,948)
Net Increase (Decrease) in Cash and Cash Equivalents	3,016	(13,449)
Cash and Cash Equivalents at Beginning of Period	115,074	121,097
Cash and Cash Equivalents at End of Period	$ 118,090	$ 107,648
Supplemental Disclosure of Cash Flow Information:		
Interest Paid	$ 593	$ 996
Income Taxes Paid	$ 7,253	$ 9,096

See Notes to Condensed Consolidated Financial Statements.

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L. B. FOSTER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all estimates and adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. However, actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year ended December 31, 2009. Amounts included in the balance sheet as of December 31, 2008 were derived from our audited balance sheet. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company s annual report on Form 10-K for the year ended December 31, 2008. We have evaluated all subsequent events through August 7, 2009, the date the financial statements were issued.

2. NEW ACCOUNTING PRINCIPLES

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141(R), Business Combinations, (SFAS 141R) which replaces SFAS No. 141. SFAS 141R retains the purchase method of accounting for acquisitions, but requires a number of changes, including changes in the way assets and liabilities are recognized in the purchase accounting. It also changes the recognition of assets acquired and liabilities assumed arising from contingencies, requires the capitalization of in-process research and development at fair value, and requires the expensing of acquisition-related costs as incurred. SFAS 141R is effective for business combinations for which the acquisition date is on or after the beginning of the first fiscal year beginning after December 15, 2008. The Company adopted the provisions of this standard beginning January 1, 2009.

In February 2008, the FASB issued FASB Staff Position (FSP) FAS 157-2, Effective Date of FASB Statement No. 157, (FSP FAS 157-2). FSP FAS 157-2 delayed the effective date of SFAS 157 (refer to Note 3) for all non-recurring fair value measurements of nonfinancial assets and liabilities until fiscal years beginning after November 15, 2008. The Company adopted the provisions of this standard beginning January 1, 2009.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events, (SFAS 165). SFAS 165 establishes the accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. The Company adopted the provisions of this standard beginning June 30, 2009.

In June 2009, the FASB issued SFAS no. 167, Amendments to FASB interpretation No. 46(R), (SFAS 167). SFAS 167 amends FASB Interpretation 46(R) (FIN 46R) and changes the consolidation guidance applicable to a variable interest entity (VIE). It also 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 of the entity that most significantly impact the entity s economic performance and who has the obligation to absorb losses or the right to receive benefits of 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. Qualifying special-purpose entities, which were previously exempt from the application of this standard, will be subject to the provisions of this standard when it becomes effective. SFAS 167 also requires enhanced disclosures about an enterprise s involvement with a VIE. SFAS 167 is effective as of the beginning of interim and annual reporting periods that begin after November 15, 2009.

3. FAIR VALUE MEASUREMENTS

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements, but it does apply to existing accounting pronouncements that require or permit fair value measurements. The Company adopted SFAS 157 on January 1, 2008. The adoption of this standard did not impact our

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financial position or results of operations, as the Company had previously determined the fair value of these instruments in a manner consistent with the requirements of SFAS 157.

SFAS 157 applies to all assets and liabilities that are being measured and reported on a fair value basis. This standard discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow) and the cost approach (cost to replace the service capacity of an asset or replacement cost). SFAS 157 enables readers of financial statements to assess the inputs used to develop those measurements by establishing a hierarchy, which prioritizes those inputs used, for ranking the quality and reliability of the information used to determine fair values. The standard requires that each asset and liability carried at fair value be classified into one of the following categories:

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

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

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

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

Cash and cash equivalents. Included within Cash and cash equivalents are principally investments in tax-free and taxable money market funds with municipal bond issuances as the underlying securities as well as government agency obligations and corporate bonds, all of which maintain AAA credit ratings. Also included within cash and cash equivalents are our investments in bank certificates of deposit. The Company uses quoted market prices to determine the fair value of these investments and they are classified in Level 1 of the fair value hierarchy. The carrying amounts approximate fair value because of the short maturity of the instruments.

Available-for-sale securities. The Company uses quoted market prices to determine the fair value of its available-for-sale securities. These instruments consist of exchange-traded equity securities, are included within Investments and are classified in Level 1 of the fair value hierarchy. Unrealized gains and temporary unrealized losses are included in accumulated other comprehensive income or loss, respectively.

Derivative contracts. The Company uses significant other observable inputs that are readily available in public markets or can be derived from information available in publicly quoted markets to determine the fair value of its derivative contracts. These instruments consist of foreign exchange contracts, are included within Other accrued liabilities, and are classified in Level 2 of the fair value hierarchy. Fluctuations in the fair values of derivative instruments are recorded in accumulated other comprehensive loss and reclassified into earnings as the underlying hedged items affect earnings. No such instruments were outstanding at June 30, 2009.

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The following assets and liabilities were measured at fair value on a recurring basis subject to the disclosure requirements of SFAS 157 at June 30, 2009 and December 31, 2008:

		Fair Value Measurements at Reporting Date Using		
(in thousands)	June 30, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Money market funds	$105,418	$ 105,418	$	$
Bank certificates of deposit	10,250	10,250		
Cash equivalents at fair value	115,668	115,668		
Available-for-sale securities	3,891	3,891		
Total Assets	$119,559	$ 119,559	$	$

		Fair Value Measurements at Reporting Date Using		
(in thousands)	December 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Money market funds	$104,257	$ 104,257	$	$
Bank certificates of deposit	10,158	10,158		
Cash equivalents at fair value	114,415	114,415		
Available-for-sale securities	2,856	2,856		
Total Assets	$117,271	$ 117,271	$	$
Liabilities				
Derivatives	$ (54)	$	$ (54)	$

Total other accrued liabilities		(54)			(54)	
Total Liabilities	$	(54)	$		$ (54)	$

4. ACCOUNTS RECEIVABLE

Credit is extended based upon an evaluation of the customer s financial condition and, generally, collateral is not required. Credit terms are consistent with industry standards and practices. Trade accounts receivable at June 30, 2009 and December 31, 2008 have been reduced by an allowance for doubtful accounts of ($1,369,000) and ($2,637,000), respectively. The decrease in the allowance for doubtful accounts was due to the write-off of previously reserved trade accounts receivable.

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5. INVENTORIES

Inventories of the Company at June 30, 2009 and December 31, 2008 are summarized in the following table:

(in thousands)	June 30, 2009	December 31, 2008
Finished goods	$ 87,672	$ 89,935
Work-in-process	7,470	13,275
Raw materials	23,336	25,198
Total inventories at current costs	118,478	128,408
Less:		
LIFO reserve	(19,559)	(21,316)
Inventory valuation reserve	(4,626)	(4,176)
	$ 94,293	$102,916

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

6. INVESTMENTS

Investments of the Company at June 30, 2009 and December 31, 2008 are summarized in the following table:

(in thousands)	June 30, 2009	December 31, 2008
Available-for-sale marketable securities	$3,891	$ 2,856
Nonconsolidated equity method investments	650	
	$4,541	$ 2,856

Available-for-sale marketable securities were recorded with a cost of approximately $1,714,000 and there are no gross unrealized losses. Gross unrealized gains related to the Company s available-for-sale securities are included within accumulated other comprehensive loss in the Condensed Consolidated Balance Sheets and were approximately $2,177,000 and $1,142,000 at June 30, 2009 and December 31, 2008, respectively.

Effective May 26, 2009, the Company completed the formation of a joint venture. The Company has a 45% ownership interest in the new joint venture which will build a facility to manufacture, market and sell various products for the energy, utility and construction markets.

7. SALE-LEASEBACK

On March 3, 2008, the Company sold approximately 63 acres of real estate located in Houston, TX used primarily by the Company s Tubular Products segment for approximately $6,500,000 and recorded a gain of $1,486,000. Pursuant to this sale, the Company entered into a sale-leaseback transaction, as amended on April 30, 2008, with the purchaser of the Houston, TX real estate for approximately 20 acres of the real estate and certain other assets for a ten year term at a monthly rental rate of $1,000 per acre with annual 3% increases. The April 30, 2008 amendment added approximately 9 acres of real estate (Temporary Premises) on a month to month term basis. The January 6, 2009 amendment terminated the lease of approximately 4 acres of the Temporary Premises. The lease is a net lease with the

Company being responsible for taxes, maintenance, insurance and utilities. The Company uses the leased property for its threaded product operations.

This lease is being accounted for as an operating lease with an interest rate of 5.25% for the transaction. The transaction qualifies as a sale-leaseback under applicable guidance, including SFAS No. 98, Accounting for Leases, and the

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Company recorded as a deferred gain the present value of the minimum lease payments of the operating lease, $2,146,000. This deferred gain is being amortized over the life of the lease, 120 months.

8. RETIREMENT PLANS

Retirement Plans

The Company has four plans covering all hourly and salaried employees, specifically two defined benefit plans (one active and one frozen) and two defined contribution plans. Employees are eligible to participate in these specific plans based on their employment classification. The Company s funding to the defined benefit and defined contribution plans is governed by the Employee Retirement Income Security Act of 1974 (ERISA), applicable plan policy and investment guidelines. The Company policy is to contribute at least the minimum funding required by ERISA.

Defined Benefit Plans

Net periodic pension costs for both plans for the three and six month periods ended June 30, 2009 and 2008 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2009	2008	2009	2008
Service cost	$ 7	$ 5	$ 14	$ 10
Interest cost	65	63	130	126
Expected return on plan assets	(57)	(72)	(114)	(144)
Prior service cost	1	2	2	4
Recognized net actuarial loss	35	12	70	25
Net periodic benefit cost	$ 51	$ 10	$ 102	$ 21

The Company expects to contribute $135,000 to its defined benefit plans in 2009. Contributions through June 30, 2009 were $90,000.

Defined Contribution Plans

The Company has a defined contribution plan that covers all non-union hourly and all salaried employees. This plan permits both pretax and after-tax employee contributions. Participants can contribute, subject to statutory limitations, between 1% and 75% of eligible pre-tax pay and between 1% and 100% of eligible after-tax pay.

The Company s employer match is 100% of the first 1% of deferred eligible compensation and up to 50% of the next 6%, based on years of service, of deferred eligible compensation, for a total maximum potential match of 4%. The Company may also make discretionary contributions to the Plan.

The expense associated with this plan for the three months ended June 30 was $338,000 in 2009 and $580,000 in 2008 and for the six months ended June 30 was $753,000 in 2009 and $1,018,000 in 2008.

The Company also has a defined contribution plan for union hourly employees with contributions made by both the participants and the Company based on various formulas. The expense associated with this active plan for the three months ended June 30, 2009 and 2008 was $9,000 and for the six months ended June 30, 2009 and 2008 was $16,000 and $17,000, respectively.

9. BORROWINGS

The Company s maximum credit line is $90,000,000 under a fourth amendment to the Amended and Restated Revolving Credit and Security Agreement (Agreement) with a syndicate of three banks led by PNC Bank, N.A. The revolving credit facility is secured by substantially all of the trade receivables and inventory owned by the Company. Revolving credit facility availability under the Agreement is limited by the amount of eligible accounts receivable and inventory, applied against certain advance rates, and are limited to 85% of eligible receivables and 60% of eligible inventory. Additionally, the fourth amendment established a $20,000,000 term loan that was immediately applied to pay down existing amounts outstanding on the revolving credit facility. The term loan is being amortized on a term of seven years with a balloon payment on the remaining outstanding principal due at the maturity of the Agreement, May 2011. If average availability

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should fall below $10,000,000 over a 30-day period, the loans become immediately secured by a lien on the Company s equipment that is not encumbered by other liens.

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%.

The Company is permitted to use various additional debt instruments to finance capital expenditures, outside of borrowings under the Agreement, limited to an additional $10,000,000. Under the amended Agreement, the Company maintains dominion over its cash at all times, as long as excess availability stays over $5,000,000 and there is no uncured event of default.

In March 2009, the Company entered into a fifth amendment to the Agreement which became effective as of December 31, 2008 and changed certain financial covenants included in the Agreement by creating an exclusion standard in the Agreement. This standard, which is met by the Company when revolving credit facility borrowings do not exceed $20,000,000 and unused borrowing commitment is at least $50,000,000, allows for certain items, as defined in the amendment, to be excluded in determining the minimum level for the fixed charge coverage ratio. Additionally, the amendment redefines the Company s calculation of earnings before interest and taxes by excluding any charges and credits related to the Company s LIFO method of accounting for inventory.

The fifth amendment also includes a revised minimum net worth covenant and a revised maximum level for annual consolidated capital expenditures of $15,000,000. As of June 30, 2009, the Company was in compliance with all of the Agreement s covenants.

Under the term loan, the Company had $14,524,000 outstanding at June 30, 2009 of which $11,905,000 was noncurrent. At December 31, 2008 the Company had $15,952,000 outstanding of which $13,333,000 was noncurrent. At June 30, 2009, there were no outstanding borrowings under the revolving credit facility and the Company had approximately $76,334,000 in unused borrowing availability.

10. EARNINGS PER COMMON SHARE

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except earnings per share)	2009	2008	2009	2008
Numerator:				
Numerator for basic and diluted earnings per common share - net income available to common stockholders:	$ 2,652	$ 7,657	$ 5,671	$13,963
Denominator:				
Weighted average shares	10,148	10,900	10,176	10,939
Denominator for basic earnings per common share	10,148	10,900	10,176	10,939
Effect of dilutive securities:				
Employee stock options	101	137	101	151
Other stock compensation plans	26	3	41	7
Dilutive potential common shares	127	140	142	158
Denominator for diluted earnings per common share adjusted weighted average shares and assumed conversions	10,275	11,040	10,318	11,097

Basic earnings per common share:	$ 0.26	$ 0.70	$ 0.56	$ 1.28
Diluted earnings per common share:	$ 0.26	$ 0.69	$ 0.55	$ 1.26

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11. STOCK-BASED COMPENSATION

The Company applies the provisions of SFAS No. 123(R), Share-Based Payment and related interpretations (SFAS No. 123R) to account for the Company s share-based compensation. Share-based compensation cost is measured at the grant date based on the calculated fair value of the award and is recognized over the employees requisite service period. The Company recorded stock compensation expense of $422,000 and $623,000, respectively, for the three month periods ended June 30, 2009 and 2008 and $545,000 and $652,000 for the six month periods ended June 30, 2009 and 2008, respectively, related to stock option awards, restricted stock awards and performance unit awards as discussed below.

Stock Option Awards

The Company recorded stock compensation expense related to stock option awards of $25,000 and $55,000 for the six month periods ending June 30, 2009 and 2008, respectively. The related deferred tax benefits at June 30, 2009 and 2008 were $9,000 and $22,000, respectively.

There were no nonvested awards at June 30, 2009. At June 30, 2008, there was $74,000 of compensation expense related to nonvested awards which was expected to be recognized over a weighted-average period of 0.7 years.

There were no stock options granted during the first six months of 2009 or 2008.

At June 30, 2009 and 2008, common stock options outstanding under the plans had option prices ranging from $2.75 to $14.77, with a weighted average exercise price of $5.59 and $5.85 per share, respectively.

The weighted average remaining contractual life of the stock options outstanding at June 30, 2009 and 2008 are 3.1 years and 4.1 years, respectively.

Options exercised during the six month periods ended June 30, 2009 and 2008 totaled 5,500 and 99,380 shares, respectively. The weighted average exercise price per share of the options exercised during the six month periods ended June 30, 2009 and 2008 were $3.78 and $4.67, respectively. The total intrinsic value of options exercised during the three month period ended June 30, 2009 was $153,000. There were no options exercised during the three month period ended June 30, 2008. The total intrinsic value of options exercised during the six month periods ended June 30, 2009 and 2008 were $153,000 and $3,898,000, respectively.

A summary of the option activity as of June 30, 2009 is presented below.

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2009	194,700	$5.54	3.6	
Granted				
Canceled				
Exercised	(5,500)	3.78		
Outstanding at June 30, 2009	189,200	$5.59	3.1	$4,631,616
Exercisable at June 30, 2009	189,200	$5.59	3.1	$4,631,616

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

Restricted Stock Awards

During the six month periods ended June 30, 2009 and 2008 there were 10,500 fully vested restricted stock awards granted to the outside directors of the Company. The weighted average fair value per share of these restricted stock awards was $29.89 and $32.61, respectively.

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Compensation expense recorded by the Company related to restricted stock awards was approximately $314,000 and $342,000, respectively, for the three and six month periods ended June 30, 2009 and 2008.
A summary of the restricted stock awards activity as of June 30, 2009 is presented below.

	Restricted Shares	Weighted Average Fair Value	Weighted Average Remaining Contractual Term	Aggregate Fair Value
Outstanding at January 1, 2009		$		$
Granted	10,500	29.89		313,845
Vested	(10,500)	29.89		(313,845)
Canceled				
Outstanding at June 30, 2009		$		$

Relative to the restricted stock awards granted to the non-outside directors and the performance unit awards, the Company recorded compensation expense of $100,000 and $120,000, respectively, for the three month periods ended June 30, 2009 and 2008. For the six month periods ended June 30, 2009 and 2008, the Company recorded compensation expense of $206,000 and $255,000, respectively, for these awards. Shares issued as a result of restricted stock awards generally are previously issued shares which have been reacquired by the Company and held as Treasury shares or authorized but previously unissued common stock.
For the six month periods ended June 30, 2009 and 2008, the Company granted approximately 18,000 and 12,000 shares, respectively, of restricted stock to individuals who are not outside directors:

Grant Date	Units	Grant Date Fair Value	Aggregate Fair Value	Vesting Date
March 6, 2008	7,756	$40.03	$310,473	March 6, 2012
June 2, 2008	3,850	34.19	131,632	June 2, 2012
March 3, 2009	17,561	20.63	362,283	March 3, 2013

These forfeitable restricted stock awards time-vest after a four year holding period.
In addition to the 12,000 shares of restricted stock granted as of June 30, 2008 noted above, the Company granted, pursuant to the 2006 Omnibus Plan, as amended, approximately 11,000 fully-vested shares during 2008 in lieu of a portion of the cash payment earned under the 2005 2007 Three Year Incentive Plan. This non-cash transaction of $467,000 is reflected as an increase to Paid-in capital in the Consolidated Balance Sheet at December 31, 2008. These shares are not voluntarily transferable until May 1, 2010. The number of shares awarded under this plan was determined using an average share price of $43.91 over a ten day period in February 2008. When these shares were awarded on March 6, 2008, the grant date fair value per share was $40.03.

Performance Unit Awards

Under separate three year incentive plans pursuant to the 2006 Omnibus Plan, as amended, the Company granted the following performance units during the six month periods ended June 30:

	Grant Date	Aggregate Fair

Incentive Plan	Grant Date	Units	Fair Value	Value	Vesting Date
2008 2010	March 6, 2008	23,273	$40.03	$ 931,618	March 6, 2011
2009 2011	March 3, 2009	52,672	20.63	1,086,623	March 3, 2012

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These awards can be earned based upon the Company s performance relative to performance measures as defined in the plan. These awards are subject to forfeiture, cannot be transferred until four years after their grant date and will be converted into common stock of the Company based upon conversion multiples as defined in the underlying plan. The aggregate fair value in the above table is based upon reaching 100% of the performance targets as defined in the underlying plan. The number of shares awarded under the 2009 2011 Three Year Incentive Plan was determined using an average grant date fair value of $23.21 over a ten day period in February 2009. The number of shares awarded under the 2008 2010 Three Year Incentive Plan was determined using an average grant date fair value of $43.91 over a ten day period in February 2008.

12. COMMITMENTS AND CONTINGENT LIABILITIES

The Company is subject to laws and regulations relating to the protection of the environment, and the Company s efforts to comply with environmental regulations may have an adverse effect on its future earnings. In the opinion of management, compliance with the present environmental protection laws will not have a material adverse effect on the financial condition, results of operations, cash flows, competitive position, or capital expenditures of the Company.

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

In the second quarter of 2004, a gas company filed a complaint against the Company in Allegheny County, PA, alleging that in 1989 the Company had applied epoxy coating on 25,000 feet of pipe and that, as a result of inadequate surface preparation of the pipe, the coating had blistered and deteriorated. The Company does not believe that the gas company s alleged problems are the Company s responsibility. Although no assurances can be given, the Company believes that it has meritorious defenses to such claims and will vigorously defend against such a suit. The Company s insurance carrier, although it reserved its right to deny coverage, has undertaken the defense of this claim.

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 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.

In December 2008, the Company received a Third-Party Complaint, filed in the US. District Court for the Western District of Oklahoma, alleging that the Company and others were responsible for certain contamination which migrated to adjacent properties in Payne County, Oklahoma. The Company is alleged to have owned the initially contaminated property pursuant to a 1978 quit claim deed. The Company sold, by quit claim deed, its interests, if any, in this property in 1979. The Company has referred this matter to its insurance carrier and, subject to reservations, the insurance carrier is defending this claim.

In late March of 2009, the Company discovered that some of the prestressed concrete railroad ties manufactured in 2004 and 2005 by its CXT Rail operation in Grand Island, NE had failed in track. The Company believes the cause is related to equipment fatigue on one production line at its Grand Island, NE facility before it was retrofitted with new equipment in the fall of 2005. The Company recorded a charge of $1,600,000 within cost of goods sold for the Company s estimate of cracked concrete ties as of the quarter ended March 31, 2009.

During the second quarter of 2009, along with customer personnel, the Company inspected the ties in question to confirm the number of cracked concrete ties. Upon conclusion of this inspection, the Company recorded an additional charge of $1,124,000 within cost of goods sold during the quarter ended June 30, 2009 bringing the cumulative warranty charge related to this issue to $2,724,000.

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For certain manufactured products, the Company maintains a product liability accrual which is adjusted on a monthly basis as a percentage of cost of sales. This product liability accrual is periodically adjusted based on the identification or resolution of known individual product liability claims. The following table illustrates the Company s product warranty accrual:

(in thousands)	
Balance at December 31, 2008	$1,633
Additions to warranty liability	1,771
Warranty liability utilized	(409)
Balance at March 31, 2009	2,995
Additions to warranty liability	1,409
Warranty liability utilized	(301)
Balance at June 30, 2009	$4,103

Included within the above table is the concrete tie warranty of approximately $3,461,000 as of June 30, 2009 and includes the previously discussed additional charges. While the Company believes this is a reasonable estimate of this potential warranty claim, this estimate could change due to new information and future events. There can be no assurance at this point that future costs pertaining to this issue will not have a material impact on our results of operations.

At June 30, 2009 the Company had outstanding letters of credit of approximately $2,859,000.

13. BUSINESS SEGMENTS

The Company is organized and evaluated by product group, which is the basis for identifying reportable segments. The Company is engaged in the manufacture, fabrication and distribution of rail, construction and tubular products. The following table illustrates revenues and profits of the Company by segment:

	Three Months Ended, June 30, 2009		Six Months Ended, June 30, 2009	
(in thousands)	Net Sales	Segment Profit/(Loss)	Net Sales	Segment Profit/(Loss)
Rail products	$44,289	$(1,131)	$ 98,655	$(1,049)
Construction products	44,473	3,088	80,560	5,329
Tubular products	5,009	44	12,300	1,404
Total	$93,771	$ 2,001	$191,515	$ 5,684

	Three Months Ended, June 30, 2008		Six Months Ended, June 30, 2008	
(in thousands)	Net Sales	Segment Profit	Net Sales	Segment Profit
Rail products	$ 60,843	$ 5,322	$107,034	$ 7,878
Construction products	60,039	7,603	100,025	10,511
Tubular products	8,951	1,825	16,215	2,846

Total	$129,833	$14,750	$223,274	$21,235

Segment profits, as shown above, include internal cost of capital charges for assets used in the segment at a rate of, generally, 1% per month. There has been no change in the measurement of segment profit from December 31, 2008.

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

(in thousands)	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Income for reportable segments	$ 2,001	$14,750	$ 5,684	$21,235
Cost of capital for reportable segments	4,764	4,956	9,699	9,430
Interest expense	(333)	(488)	(661)	(1,043)
Gain on sale of DM&E investment				2,022
Gain on sale of Houston, TX property				1,486
Interest income	212	586	507	1,401
Other income (expense)	186	135	329	(16)
LIFO credit (expense)	1,507	(2,470)	1,757	(2,763)
Corporate expense and other unallocated charges	(4,052)	(5,310)	(8,265)	(9,721)
Income before income taxes	$ 4,285	$12,159	$ 9,050	$22,031

14. COMPREHENSIVE INCOME

Comprehensive income represents net income plus certain stockholders equity changes not reflected in the Condensed Consolidated Statements of Operations. The components of comprehensive income, net of tax, were as follows:

(in thousands)	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Net income	$2,652	$7,657	$5,671	$13,963
Market value adjustments for investments	866		654	
Unrealized derivative gains (losses) on cash flow hedges	25	(4)	34	72
Comprehensive income	$3,543	$7,653	$6,359	$14,035

15. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of SFAS No. 133, (SFAS 161). SFAS 161 requires enhanced disclosures about an entity s derivative and hedging activities, including (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under SFAS 133, and (iii) how derivative instruments and related hedged items affect an entity s financial position, results of operations and cash flows. The Company adopted the required enhanced disclosures of SFAS 161 on January 1, 2009.

The Company does not purchase or hold any derivative financial instruments for trading purposes. The Company uses derivative financial instruments to manage interest rate exposure on variable-rate debt, primarily by using interest rate collars and variable interest rate swaps. The Company s primary source of variable-rate debt comes from its revolving credit agreement.

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 interest rate derivative does not perfectly offset the change in value of the interest rate being hedged, the ineffective portion is recognized in earnings immediately.

The Company is not subject to significant exposures to changes in foreign currency exchange rates. The Company will, however, manage its exposure to changes in foreign currency exchange rates on firm sale and purchase commitments by entering into foreign currency forward contracts. The Company s risk management objective is to reduce its exposure to the effects of changes in exchange rates on these transactions over the duration of the transactions.

During 2006, the Company entered into commitments to sell Canadian funds based on the anticipated receipt of Canadian funds from the sale of certain rail commencing in the second quarter of 2007 through the third quarter of 2008.

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All of these contracts were settled as of December 31, 2008. During 2008, two of these Canadian dollar denominated commitments matured for a realized loss of approximately $129,000 which was reported as Other (Income) Expense within the Condensed Consolidated Statements of Operations.

In the fourth quarter of 2008, the Company entered into a commitment with a notional amount of approximately $630,000 to buy Euro funds based on the anticipated receipt of Euro funds from the purchase of certain rail in the first quarter of 2009. During the first quarter of 2009, the Company determined that the receipt of Euros would not coincide with the purchase commitment and the Company recorded a loss of approximately $7,000 to record this commitment at market which was reported as Other (Income) Expense within the Condensed Consolidated Statements of Operations. The fair value of this instrument was a liability of $54,000 and was recorded in Other Accrued Liabilities as of December 31, 2008.

In the first quarter of 2009, the Company entered into commitments with notional amounts totaling approximately $974,000 to buy Euro funds based on the anticipated receipt of Euro funds from the purchase of certain rail in the second quarter of 2009. During the second quarter of 2009, these commitments matured for a realized gain of approximately $105,000. All of these contracts were settled as of June 30, 2009. For more information concerning the fair value measurements of these instruments, refer to Note 3, Fair Value Measurements.

16. SUBSEQUENT EVENTS

We have evaluated all subsequent events through August 7, 2009, the date the financial statements were issued. Through that date the Company sold a portion of its investment in available-for-sale marketable securities. The Company sold shares with original cost of approximately $921,000 for a gain of approximately $1,194,000. These shares were recorded at fair market value of approximately $2,090,000 as of June 30, 2009. The Company utilized the specific identification method to determine the cost of the securities sold.

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

Overview

General

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

Recent Developments

In late March of 2009, we discovered that some of the prestressed concrete railroad ties manufactured between 2004 and 2005 by our CXT Rail operation in Grand Island, NE had failed in track. We believe the cause is related to equipment fatigue on one production line at our Grand Island, NE facility before it was retrofitted with new equipment in the fall of 2005. We recorded a charge of $1.6 million within cost of goods sold for our estimate of cracked concrete ties as of the quarter ended March 31, 2009.

During the second quarter of 2009, along with Union Pacific Railroad (UPRR) personnel, we inspected the ties in question to confirm the number of cracked concrete ties. Upon conclusion of this inspection, we recorded an additional charge of $1.1 million within cost of goods sold during the quarter ended June 30, 2009 bringing our cumulative warranty charge related to this issue to $2.7 million.

While we believe this is a reasonable estimate of this potential warranty claim, this estimate could change due to new information and future events. There can be no assurance at this point that future costs pertaining to this issue will not have a material impact on our results of operations.

Also during the second quarter of 2009, the UPRR notified us that they would not accept certain prestressed concrete railroad ties produced at our Grand Island, NE facility due to questionable quality of certain raw materials. We believe this issue is isolated to below-specification raw material used in the production process received from one supplier. We brought these concrete ties back into inventory and wrote them down to our expected net realizable value.

The impact of these rejected prestressed concrete railroad ties was a net unfavorable charge to gross profit of approximately $2.6 million.

In May 2009, we completed the formation of a joint venture. We have a 45% ownership interest in the new joint venture and made initial capital contributions of $0.7 million in June 2009 and $0.2 million in July 2009 as part of our total initial capital contribution of $0.9 million. We are also required to make additional capital contributions of $1.4 million to the joint venture. This venture will build a facility to manufacture, market and sell various products for the energy, utility and construction markets. This investment will be accounted for under the equity method of accounting as we have the ability to exert significant influence, but not control, over operating and financial policies.
As of June 30, 2009, we reported investments in available-for-sale marketable securities with a fair value of approximately $3.9 million. In July 2009, we sold a portion of this investment for approximately $2.1 million in proceeds and recorded a corresponding gain of approximately $1.2 million.

Critical Accounting Policies

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 method of its application, is generally accepted, management selects the principle or method that is appropriate in the Company s specific circumstances. Application of these accounting principles requires management to make estimates about the future resolution of existing uncertainties. As a result, actual results could differ from these estimates. In preparing these financial statements, management has made its best estimates and judgments of the amounts and disclosures included in the financial statements giving due regard to materiality.

There have been no material changes in the Company s critical accounting policies or estimates since December 31, 2008. However, due to the significance of activity in the first six months of 2009, we have made additional disclosure below regarding our basis of financial statement presentation and investments accounting policies.

For more information regarding the Company s critical accounting policies, please see the Management s Discussion & Analysis of Financial Condition and Results of Operations in Form 10-K for the year ended December 31, 2008.

Basis of financial statement presentation

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

Investments

Investments in marketable equity securities are classified as available-for-sale and are recorded at fair value with unrealized gains and temporary losses included in accumulated other comprehensive income or loss, respectively. The Company regularly reviews its available-for-sale investments to determine whether a decline in fair value below the cost basis is other than temporary. If the decline in fair value is judged to be other than temporary, the cost basis of the security is written down to fair value and the amount of the write-down is included in the Consolidated Statements of Operations.

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

New Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations, (SFAS 141R) which replaces SFAS No. 141. SFAS 141R retains the purchase method of accounting for acquisitions, but requires a number of changes, including changes in the way assets and liabilities are recognized in the purchase accounting. It also changes the recognition of assets acquired and liabilities assumed arising from contingencies, requires the capitalization of in-process research and development at fair value, and requires the expensing of acquisition-related costs as incurred. SFAS 141R is effective for business combinations for which the acquisition date is on or after the beginning of the first fiscal year beginning after December 15, 2008. The Company adopted the provisions of this standard beginning January 1, 2009.

In February 2008, the FASB issued FASB Staff Position (FSP) FAS 157-2, Effective Date of FASB Statement No. 157, (FSP FAS 157-2). FSP FAS 157-2 delayed the effective date of SFAS 157 for all non-recurring fair value measurements of nonfinancial assets and liabilities until fiscal years beginning after November 15, 2008. The Company adopted the provisions of this standard beginning January 1, 2009.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events, (SFAS 165). SFAS 165 establishes the accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. The Company adopted the provisions of this standard beginning June 30, 2009. We have evaluated all subsequent events through August 7, 2009, the date the financial statements were issued.

In June 2009, the FASB issued SFAS no. 167, Amendments to FASB interpretation No. 46(R), (SFAS 167). SFAS 167 amends FASB Interpretation 46(R) (FIN 46R) and changes the consolidation guidance applicable to a variable interest entity (VIE). It also 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 of the entity that most significantly impact the entity s economic performance and who has the obligation to absorb losses or the right to receive benefits of 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. Qualifying special-purpose entities, which were previously exempt from the application of this standard, will be subject to the provisions of this standard when it becomes effective. SFAS 167 also requires enhanced disclosures about an enterprises involvement with a VIE. SFAS 167 is effective as of the beginning of interim and annual reporting periods that begin after November 15, 2009.

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Quarterly Results of Operations

	Three Months Ended June 30,		Percent of Total Net Revenues Three Months Ended June 30,		Percent Increase/(Decrease)
	2009	2008	2009	2008	2009 vs. 2008
	Dollars in thousands				
Net Sales:					
Rail Products	$44,289	$ 60,843	47.2%	46.9%	(27.2)%
Construction Products	44,473	60,039	47.4	46.2	(25.9)
Tubular Products	5,009	8,951	5.3	6.9	(44.0)
Total Net Sales	$93,771	$129,833	100.0%	100.0%	(27.8)%

	Three Months Ended June 30,		Gross Profit Percentage Period Ended June 30,		Percent Increase/(Decrease)
	2009	2008	2009	2008	2009 vs. 2008
	Dollars in thousands				
Gross Profit:					
Rail Products	$ 2,940	$ 9,865	6.6%	16.2%	(70.2)%
Construction Products	8,128	12,491	18.3	20.8	(34.9)
Tubular Products	619	2,384	12.4	26.6	(74.0)
LIFO Credit (Expense)	1,507	(2,470)	1.6	(1.9)	161.0
Other	(362)	(385)	(0.4)	(0.3)	(6.0)
Total Gross Profit	$12,832	$21,885	13.7%	16.9%	(41.4)%

	Three Months Ended June 30,		Percent of Total Net Revenues Period Ended June 30,		Percent Increase/(Decrease)
	2009	2008	2009	2008	2009 vs. 2008
	Dollars in thousands				
Expenses:					
Selling and Administrative Expenses	$8,612	$ 9,959	9.2%	7.7%	(13.5)%
Interest Expense	333	488	0.4	0.4	(31.8)
Gain on Sale of DM&E Investment					**
Gain on Sale of Houston, TX Property					**
Interest Income	(212)	(586)	(0.2)	(0.5)	(63.8)
Other (Income) Expense	(186)	(135)	(0.2)	(0.1)	37.8
Total Expenses	8,547	9,726	9.1%	7.5%	(12.1)%
Income Before Income Taxes	4,285	12,159	4.6%	9.4%	(64.8)%

Income Tax Expense	1,633	4,502	1.7	3.5	(63.7)
Net Income	$2,652	$ 7,657	2.8%	5.9%	(65.4)%

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

Second Quarter 2009 Compared to Second Quarter 2008 Company Analysis

Net income for the second quarter of 2009 was $0.26 per diluted share compared to net income per diluted share of $0.69 for the second quarter of 2008.

Our gross profit margin includes our current estimate of the impact of the LIFO method of accounting for inventory. Due principally to declining steel prices, we currently anticipate a positive adjustment resulting from our provision for LIFO and recorded our 2009 LIFO adjustment estimate as of June 30, 2009. The prior year period included an estimated negative impact caused by inflation. Gross profit was adversely affected by the $1.1 million warranty charge related to concrete ties that failed in track and adjustments of $2.6 million related to the return and subsequent write-down of concrete ties refused by the UPRR. These charges were previously discussed in more detail within the Recent Developments section and were both recorded within our Rail Products Segment.

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The 2009 second quarter decrease in Selling and Administrative expenses primarily resulted from reduced incentive compensation expense, outside services fees and bad debt expense. Reduced average cash and cash equivalents balances and lower rates contributed to reduced interest income earned on our various short-term investments during the second quarter of 2009. Income taxes in the current quarter were recorded at approximately 38.1%, an increase from the prior year period of 37.0%, due to increased nondeductible expenses.

Results of Operations Segment Analysis

Rail Products

	Three Months Ended June 30,		Increase/(Decrease)	Percent Increase/(Decrease)
	2009	2008	2009 vs. 2008	2009 vs. 2008
	Dollars in thousands			
Net Sales	$44,289	$60,843	$(16,554)	-27.2%
Gross Profit	$ 2,940	$ 9,865	$ (6,925)	-70.2%
Gross Profit Percentage	6.6%	16.2%	-9.6%	-59.1%

Second Quarter 2009 Compared to Second Quarter 2008

While our Allegheny Rail Products (ARP) division experienced some growth in sales over the prior year period, this growth was negated by reductions in sales throughout the remainder of our Rail Products Segment. Our rail distribution business reported reduced sales which led the overall decline within the segment. These decreases were associated with volume related reductions within our new rail distribution business and low scrap steel prices and sharply reduced industrial market demand within our relay rail distribution business. Our concrete tie business reported reduced sales of approximately $2.8 million due to a large return from the UPRR.

There were two overriding causes of the decrease in our Rail Products gross profit in the 2009 second quarter. The first was a net unfavorable charge to gross profit of approximately $2.6 million in connection with the product return by the UPRR at our Grand Island, NE facility. The second cause was associated with the in track failures of our prestressed concrete railroad ties produced at our Grand Island, NE facility first identified in the first quarter of 2009. During the second quarter of 2009, we recognized an additional $1.1 million concrete tie warranty expense associated with the review completed by L.B. Foster Company and the UPRR over the impacted ties. In addition to these concrete tie related matters, our Spokane, WA facility experienced margin contraction from the lower sales of higher margin concrete turnout ties.

Construction Products

	Three Months Ended June 30,		Increase/(Decrease)	Percent Increase/(Decrease)
	2009	2008	2009 vs. 2008	2009 vs. 2008
	Dollars in thousands			
Net Sales	$44,473	$60,039	$(15,566)	-25.9%
Gross Profit	$ 8,128	$12,491	$ (4,363)	-34.9%
Gross Profit Percentage	18.3%	20.8%	-2.5%	-12.2%

Second Quarter 2009 Compared to Second Quarter 2008

Reduced demand caused by the nationwide softening in heavy civil and public works construction markets led to significant reductions in sales volumes across all of our piling products, with the nominal exception of our lower margin H-beam piling. This reduction in piling sales, which caused the decrease in our Construction Products segment, was partially mitigated by an increase in our fabricated products division. This increase can be attributed to growth in bridge market activity compared to the prior year period.

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All of the divisions within this segment experienced gross profit margin compression during the current quarter. The driver of this decline was our piling division which, in addition to the impact of volume declines, was selling higher priced inventory in a declining price environment.

Tubular Products

	Three Months Ended June 30,		Increase/(Decrease)	Percent Increase/(Decrease)
	2009	2008	2009 vs. 2008	2009 vs. 2008
	Dollars in thousands			
Net Sales	$5,009	$8,951	$(3,942)	-44.0%
Gross Profit	$ 619	$2,384	$(1,765)	-74.0%
Gross Profit Percentage	12.4%	26.6%	-14.3%	-53.6%

Second Quarter 2009 Compared to Second Quarter 2008

Continued softness in the energy markets served by our Tubular Products segment have caused downward pressures on demand and pricing which have reduced both our sales volumes as well as our profitability.

Additionally, reductions in pipe pricing and increased unfavorable manufacturing variances have had significant, adverse affects to the gross profit margins in our threaded products division.

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Year-to-date Results of Operations

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008	Percent of Total Net Revenues Period Ended June 30, 2009	Percent of Total Net Revenues Period Ended June 30, 2008	Percent Increase/(Decrease) 2009 vs. 2008
	Dollars in thousands				
Net Sales:					
Rail Products	$ 98,655	$107,034	51.5%	47.9%	(7.8)%
Construction Products	80,560	100,025	42.1	44.8	(19.5)
Tubular Products	12,300	16,215	6.4	7.3	(24.1)
Total Net Sales	$191,515	$223,274	100.0%	100.0%	(14.2)%

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008	Gross Profit Percentage Period Ended June 30, 2009	Gross Profit Percentage Period Ended June 30, 2008	Percent Increase/(Decrease) 2009 vs. 2008
	Dollars in thousands				
Gross Profit:					
Rail Products	$ 7,462	$16,962	7.6%	15.8%	(56.0)%
Construction Products	15,377	20,148	19.1	20.1	(23.7)
Tubular Products	2,633	3,911	21.4	24.1	(32.7)
LIFO Credit (Expense)	1,757	(2,763)	0.9	(1.2)	163.6
Other	(715)	(752)	(0.4)	(0.3)	(4.9)
Total Gross Profit	$26,514	$37,506	13.8%	16.8%	(29.3)%

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008	Percent of Total Net Revenues Period Ended June 30, 2009	Percent of Total Net Revenues Period Ended June 30, 2008	Percent Increase/(Decrease) 2009 vs. 2008
	Dollars in thousands				
Expenses:					
Selling and Administrative Expenses	$17,639	$19,325	9.2%	8.7%	(8.7)%
Interest Expense	661	1,043	0.3	0.5	(36.6)
Gain on Sale of DM&E Investment		(2,022)		(0.9)	**
Gain on Sale of Houston, TX Property		(1,486)		(0.7)	**
Interest Income	(507)	(1,401)	(0.3)	(0.6)	(63.8)
Other (Income) Expense	(329)	16	(0.2)	0.0	**
Total Expenses	17,464	15,475	9.1%	6.9%	12.9%
Income Before Income Taxes	9,050	22,031	4.7%	9.9%	(58.9)%
Income Tax Expense	3,379	8,068	1.8	3.6	(58.1)

Net Income	$ 5,671	$13,963	3.0%	6.3%	(59.4)%

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

First Six Months of 2009 Compared to First Six Months of 2008 Company Analysis

Net income for the first six months of 2009 was $0.55 per diluted share which compares to net income for the first six months of 2008 of $1.26 per diluted share. Included in net income for the prior year period 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). Excluding these gains, net income for the prior year period was $1.06 per diluted share.

Our gross profit margin includes our current estimate of the impact of the LIFO method of accounting for inventory. Due principally to declining steel prices, we currently anticipate a positive adjustment, for the full year 2009, resulting from our provision for LIFO while the prior year period included an estimated negative impact caused by inflation. Gross profit was adversely affected by the $2.7 million concrete tie warranty charge and $2.6 million of adjustments related to returned concrete ties, previously discussed in more detail in Recent Developments, which all occurred within our Rail Products segment.

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As we operate in the current recessionary economic environment, we continue to control our selling and administrative costs through various cost reduction measures. Reduced outside services fees, incentive compensation and travel and entertainment expenses are the leading drivers of these decreased expenses. Interest expense decreased from the prior year period due principally to reduced borrowings and, to a lesser extent, lower interest rates. Sharply reduced interest rates resulted in reduced interest income earned on our various short-term investments during the first six months of 2009. The settlement of our foreign exchange contracts for gains and lower miscellaneous expenses increased other income over the prior year period. Income taxes in the 2009 year to date period were recorded at approximately 37.3%, an increase from the prior year period of 36.6%.

Year-to-date Results of Operations Segment Analysis

Rail Products

	Six Months Ended June 30,		Increase/(Decrease)	Percent Increase/(Decrease)
	2009	2008	2009 vs. 2008	2009 vs. 2008
	Dollars in thousands			
Net Sales	$98,655	$107,034	$(8,379)	-7.8%
Gross Profit	$ 7,462	$ 16,962	$(9,500)	-56.0%
Gross Profit Percentage	7.6%	15.8%	-8.3%	-52.3%

First Six Months of 2009 Compared to First Six Months of 2008

Customer requested delivery delays and overall lower demand have hampered our sales of concrete ties. Specifically, our Grand Island, NE and Tucson, AZ facilities have been affected by low UPRR concrete tie purchasing levels throughout 2009. Finally, our Grand Island, NE facility was negatively impacted by below-specification raw materials that led the UPRR to reject certain concrete ties which reduced sales by approximately $2.8 million.

Rail distribution sales were up slightly for the first six months of 2009 as compared to 2008 due to a significant increase in new rail sales principally, in the first quarter, largely offset by reductions in relay rail, caused by the previously mentioned significant decline in industrial sales. Additionally offsetting these sales declines was the previously discussed strong 2009 second quarter reported by our ARP division.

The two leading causes of our reduced gross profit within our Rail Products segment relate to our Grand Island, NE facility. 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 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 within our Rail Products segment, with the exception of ARP and our new rail distribution business, experienced margin contraction during 2009 associated, generally, with volume declines.

Additionally, product mix and competitive pricing pressures experienced in the beginning of 2009 have reduced our transit products margins. Low scrap steel prices have adversely impacted our relay rail distribution business as it deals with high cost inventory. Our Spokane, WA tie facility continues to be impacted by the lack of higher margin sales of concrete turnouts. Partially offsetting these decreases was improvement at ARP from product mix and sales of higher margin products, while our new rail distribution s profit margin has remained flat.

Due to the recessionary economic environment that has negatively impacted freight railroad car loadings and our expectations that Class 1 railroad capital spending will continue to be depressed, we anticipate continued weakness in our Rail Products Segment sales and gross profit.

Construction Products

	Six Months Ended June 30,		Increase/(Decrease)	Percent Increase/(Decrease)
	2009	2008	2009 vs. 2008	2009 vs. 2008
	Dollars in thousands			
Net Sales	$80,560	$100,025	$(19,465)	-19.5%
Gross Profit	$15,377	$ 20,148	$ (4,771)	-23.7%
Gross Profit Percentage	19.1%	20.1%	-1.1%	-5.2%

First Six Months of 2009 Compared to First Six Months of 2008

Improved performance from both our fabricated products and concrete buildings divisions was entirely offset by significant sales declines at 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 unit installations provided growth within our concrete buildings division.

In addition to the impact of volume declines within certain aspects of our piling division, selling higher priced inventory in a declining price environment also contributed to the reduction in our Construction Products gross profit margin. Volume related gross profit margin increases from our concrete buildings partially offset these decreases. Our fabricated products division has maintained consistent gross profit results.

The heavy civil and public works construction markets that we participate in remain soft nationwide and have led to a substantial reduction in bookings and backlog. However, we are beginning to see areas of opportunity generated from the recently signed American Recovery and Reinvestment Act stimulus bill and expect further increases in activity as funding increases. However, we do not expect this activity to compensate for the shortfalls created by the economic downturn.

Tubular Products

	Six Months Ended June 30,		Increase/(Decrease)	Percent Increase/(Decrease)
	2009	2008	2009 vs. 2008	2009 vs. 2008
	Dollars in thousands			
Net Sales	$12,300	$16,215	$(3,915)	-24.1%
Gross Profit	$ 2,633	$ 3,911	$(1,278)	-32.7%
Gross Profit Percentage	21.4%	24.1%	-2.7%	-11.2%

First Six Months of 2009 Compared to First Six Months of 2008

While we believe that the end markets served by our Tubular Products will be strong over the long term, downward trends in pricing and demand have reduced both our sales volumes as well as our profitability.

Additionally, reductions in pipe pricing have had significant, adverse affects to the gross profit margins in our threaded products division. Partially offsetting this decrease were changes in product mix and favorable manufacturing variances yielding improved gross profit at our Birmingham, AL pipe coating facility.

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Liquidity and Capital Resources

The Company s capitalization is as follows:

(In millions)	June 30, 2009	December 31, 2008
Debt:		
Term Loan, due May 2011	$ 14.5	$ 16.0
Capital Leases and Interim Lease Financing	7.5	9.0
Other (primarily revenue bonds)	2.5	2.5
Total Debt	24.5	27.5
Equity	222.7	217.6
Total Capitalization	$247.2	$ 245.1

Total debt as a percentage of capitalization was approximately 10.0% as of June 30, 2009. This measure reflects a strong financial position as there is minimal leverage and our cash balance covers debt by approximately a multiple of 4.8 times.

The Company s need for liquidity relates primarily to seasonal working capital requirements, capital expenditures, common stock repurchases and debt service obligations. We may also use cash to pursue potential strategic acquisitions.

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

	June 30,	
(In millions)	2009	2008
Liquidity needs:		
Working capital and other assets and liabilities	$ 0.4	$(17.6)
Common stock purchases	(1.9)	(13.8)
Capital expenditures	(2.3)	(3.1)
Investment capital contributions	(0.7)	
Scheduled repayments of long-term debt	(1.4)	(1.7)
Other long-term debt scheduled repayments	(1.6)	(1.7)
Cash interest paid	(0.6)	(1.0)
Net liquidity requirements	(8.1)	(38.9)
Liquidity sources:		
Internally generated cash flows before interest paid	11.0	15.7
Proceeds from the sale of DM&E investment		2.0
Proceeds from asset sales		6.5
Equity transactions	0.1	1.2

Net liquidity sources	11.1	25.4
Net Change in Cash	$ 3.0	$(13.5)

Cash Flow from Operating Activities

During the first six months of 2009, cash flows from operations provided $10.8 million, a favorable increase of $13.7 million compared to the first six months of 2008. Net income and adjustments to net income provided $10.4 million for the 2009 period. Included in adjustments to net income for the 2008 period were gains associated with the sale of our investment in the DM&E ($2.0 million) and the sale-leaseback of our Houston, TX property ($1.5 million). The reduction in trade accounts receivable resulting from decreased June 2009 sales over June 2008 sales and the utilization of inventories were partially offset from the reduction in trade accounts payable.

Cash Flow from Investing Activities

Capital expenditures were $2.3 million for the first six months of 2009 compared to $3.1 million for the same 2008 period. Current period expenditures were for plant and equipment improvements as well as technology infrastructure and application software. We anticipate total capital spending in 2009 will be approximately $7.0 million and funded by cash flow from operations.

Cash flows used by investing activities for the six months ended June 30, 2009 includes our initial capital contribution to our new joint venture. We have a 45% ownership interest in this joint venture which will build a facility to manufacture, market and sell various products for the energy, utility and construction markets.

Cash flows provided by investing activities for the six months ended June 30, 2008 included proceeds of $6.5 million and $2.0 million from the aforementioned threaded products facility and DM&E investment sale, respectively.

Cash Flow from Financing Activities

The decrease in cash used by financing activities in 2009 as compared to 2008 is primarily related to the decrease in the number and corresponding value of shares of Common stock purchased pursuant to our share repurchase program. For the six months ended June 30, 2009, we purchased 86,141 shares for approximately $1.9 million while during the same 2008 period we purchased 413,362 shares for approximately $13.8 million.

Financial Condition

Included within cash and cash equivalents are principally investments in tax-free and taxable money market funds with municipal bond issuances as the underlying securities as well as government agency obligations and corporate bonds all of which maintain AAA credit ratings and remain guaranteed by the United States Treasury. Additionally included therein are our investments in bank certificates of deposit.

We also have a revolving credit agreement which expires in May 2011 and 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. Additionally, the revolving credit agreement provided for a $20.0 million term loan used to pay down existing drawings on the revolving credit facility. If average availability should fall below $10.0 million over a 30-day period, the loans become immediately secured by a lien on the Company s equipment that is not encumbered by other liens.

Under the term loan, we had $14.5 million outstanding at June 30, 2009 of which $11.9 million was noncurrent. 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%. Under the credit agreement, we maintain dominion over our cash at all times, as long as excess availability stays over $5.0 million and there is no uncured event of default.

In March 2009, we entered into a fifth amendment to the Agreement which became effective as of December 31, 2008 and changed certain financial covenants included in the Agreement by creating an exclusion standard in the Agreement. This standard, which is met when revolving credit facility borrowings do not exceed $20.0 million and unused borrowing commitment is at least $50.0 million, allows for certain items, as defined in the amendment, to be excluded in determining the minimum level for the fixed charge coverage ratio. Additionally, the amendment redefines our calculation of earnings before interest and taxes by excluding any charges and credits related to our LIFO method of accounting for inventory.

The fifth amendment also includes a revised minimum net worth covenant and a revised maximum level for consolidated capital expenditures. As of June 30, 2009 we were in compliance with all of the Agreement s covenants.

We routinely review our portfolio of businesses and contemplate potential acquisitions and dispositions from time to time. We are currently assessing a number of options for the potential use of the available funds and sources of financing, including, but not limited to, debt reduction, strategic acquisitions, organic reinvestment in the existing business, continued share repurchases and other general corporate purposes.

As far as near-term future business activity levels for 2009 are concerned, we have seen recent evidence of both strength and weakness, with more evidence of weakness. At the present time we are unable to determine the extent or the duration of any additional effects that the current credit and economic crisis will have on our results of operations and financial position.

We do, however, operate in this period of uncertainty in an extremely strong financial position. As noted, as of June 30, 2009, we had approximately $118.1 million in cash and short-term instruments and a revolving credit facility with approximately $76.3 million of availability and $24.5 million in long-term debt. We believe this capacity will afford us the flexibility to take advantage of opportunities that we may encounter or weather the current economic downturn, if need be, as future circumstances dictate.

Off-Balance Sheet Arrangements

The Company s off-balance sheet arrangements include operating leases, purchase obligations and standby letters of credit. A schedule of the Company s required payments under financial instruments and other commitments as of December 31, 2008 is included in the Liquidity and Capital Resources section of the Company s 2008 Annual Report filed on Form 10-K. In connection with the formation of our new joint venture, we became obligated for required additional capital contributions of approximately $1.4 million. These arrangements provide the Company with increased flexibility relative to the utilization and investment of cash resources.

Dakota, Minnesota & Eastern Railroad

During the fourth quarter of 2007, we sold our investment in the Dakota, Minnesota & Eastern Railroad (DM&E). At the time of the closing of this transaction, we fully reserved approximately $2.1 million of the proceeds which were being held in escrow, until the completion of all post-closing transactions, 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. We recognized a pre-tax gain of approximately $2.0 million related to the receipt of these proceeds.

For more information regarding the sale of our investment in the DM&E, please see our Management s Discussion & Analysis of Financial Condition and Results of Operations in Form 10-K for the year ended December 31, 2007.

Outlook

Our businesses and results of operations have been impacted by the downturn in the global economy beginning in late 2008. We believe that the current recession and continued credit concerns will present challenges to the many end markets to which we sell. As a result of anticipated reduced demand for certain of our products as well as sharply falling commodity prices over the last several months, we expect to battle margin compression for at least the next six months and we implemented certain cost reduction measures in January 2009 in anticipation of these concerns. While we expect to be challenged in 2009 by reduced sales volumes, reduced production volumes and a recessionary economic environment, we also expect to be profitable and to generate positive cash flow. We believe that when conditions do improve, and we do not know when that might be, the markets we participate in will be among the first to benefit from such an improvement. As previously mentioned, we also continue in this period of uncertainty in an extremely strong financial position.

Our agreement with the Union Pacific Railroad (UPRR) includes their purchasing concrete ties from our Grand Island, NE facility through 2010 and our Tucson, AZ facility through 2012. While the UPRR will continue to purchase concrete ties under this agreement, total concrete ties purchased by the UPRR in 2009 will be, at best, consistent with its 2008 purchase levels. We are currently uncertain when the UPRR purchasing level for concrete ties will improve and, as a result, both of our Grand Island, NE and Tucson, AZ facilities are operating at approximately 40% of capacity. We are actively pursuing product sales opportunities to other third parties at both of these locations.

We believe that we have identified, analyzed and accounted for the entire prestressed concrete railroad ties that failed. While we believe this is a reasonable estimate of this potential warranty claim, this estimate could change due to new information and future events. There can be no assurance at this point that future costs pertaining to this issue will not have a material impact on our results of operations.

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.

We have made a strategic decision to limit our use of foreign suppliers for our North American rail distribution business, as we believe that the long-term impact of this decision will deliver positive impacts to our results of operations and financial position. Additionally, there have been more significant increases in the prices of these products from our international suppliers. Due to this decision, the short-term impact may reduce the sales recorded by our rail distribution division and negatively impact our results of operations and financial position.

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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 and will expire in September 2009. While certain estimates of the amounts that may be authorized under successor legislation to SAFETEA-LU range from $400 to $500 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 material detrimental impact upon the demand and spending levels in certain markets where we participated during that 2003 to 2005 time frame.

We entered into a corporate joint venture to build a facility to manufacture, market and sell various products for the energy, utility and construction markets. In connection with the joint venture agreement we are required to make initial capital contributions of $0.9 million and additional capital contributions of $1.4 million. No assurances can be given that additional capital contributions will not be required, that the manufacturing facility will be completed timely 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 June 30, 2009, was approximately $140.5 million, a 26.9% decrease compared to June 30, 2008. The following table provides the backlog by business segment:

		Backlog	
(In thousands)	June 30, 2009	December 31, 2008	June 30, 2008
Rail Products	$ 56,318	$ 68,438	$ 60,605
Construction Products	79,895	57,626	121,683
Tubular Products	4,329	6,524	9,915
Total Backlog	$140,542	$132,588	$192,203

We continue to evaluate the overall performance of our operations. A decision to 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.

Market Risk and Risk Management Policies

The Company does not purchase or hold any derivative financial instruments for trading purposes. The Company uses derivative financial instruments to manage interest rate exposure on variable-rate debt, primarily by using interest rate collars and variable interest rate swaps. The Company s primary source of variable-rate debt comes from its revolving credit agreement.

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 interest rate derivative does not perfectly offset the change in value of the interest rate being hedged, the ineffective portion is recognized in earnings immediately.

The Company is not subject to significant exposures to changes in foreign currency exchange rates. The Company will, however, manage its exposure to changes in foreign currency exchange rates on firm sale and purchase commitments by entering into foreign currency forward contracts. The Company s risk management objective is to reduce its exposure to the effects of changes in exchange rates on these transactions over the duration of the transactions.

During 2006, the Company entered into commitments to sell Canadian funds based on the anticipated receipt of Canadian funds from the sale of certain rail commencing in the second quarter of 2007 through the third quarter of 2008. All of these contracts were settled as of December 31, 2008. During 2008, two of these Canadian dollar denominated commitments matured for a realized loss of approximately $0.1 million which was reported as Other (Income) Expense within the Condensed Consolidated Statements of Operations.

In the fourth quarter of 2008, the Company entered into a commitment with a notional amount of approximately $0.6 million to buy Euro funds based on the anticipated receipt of Euro funds from the purchase of certain rail in the first quarter of 2009. During the first quarter of 2009, the Company determined that the receipt of Euros would not coincide with the purchase commitment and the Company recorded a loss of approximately $7,000 to record this commitment at market which was reported as Other (Income) Expense within the Condensed Consolidated Statements of Operations. The fair value of this instrument was a liability of $0.1 million and was recorded in Other Accrued Liabilities as of December 31, 2008.

In the first quarter of 2009, the Company entered into commitments with notional amounts totaling approximately $1.0 million to buy Euro funds based on the anticipated receipt of Euro funds from the purchase of certain rail in the second quarter of 2009. During the second quarter of 2009, these commitments matured for a realized gain of approximately $0.1 million. All of these contracts were settled as of June 30, 2009.

Forward-Looking Statements

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.

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 significant portion of our Construction segment net sales and profits are related to the purchase and resale of piling products. Our primary supplier relationship with Gerdau Ameristeel Corporation remains intact. However, no assurances can be given and, if we are unable to continue to distribute any of the products of Gerdau Ameristeel Corporation, our results of operations and liquidity could be adversely affected.

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.

The Company cautions readers that various factors could cause the actual results of the Company to differ materially from those indicated by forward-looking statements made from time to time in news releases, reports, proxy statements, registration statements and other written communications (including the preceding sections of this Management s Discussion and Analysis), as well as oral statements, such as references made to the future profitability, made from time to time by representatives of the Company. For a discussion of some of the specific risk factors, that may cause such differences, see the Company s Form 10-K for the year ended December 31, 2008.

Except for historical information, matters discussed in such oral and written communications are forward-looking statements that involve risks and uncertainties, including but not limited to general business conditions, the availability of material from major suppliers, labor disputes, the impact of competition, the seasonality of the Company s business, the adequacy of internal and external sources of funds to meet financing needs, the Company s ability to curb its working capital requirements, taxes, inflation and governmental regulations. Sentences containing words such as believes, intends, anticipates, expects, or will generally should be considered forward-looking statements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See the Market Risk and Risk Management Policies section under Item 2, Management s Discussion and Analysis of Financial Condition and Results of Operations.

Item 4. CONTROLS AND PROCEDURES

a) L. B. Foster Company (the Company) carried out an evaluation, under the supervision and with the participation of the Company s management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures (as defined in Rules 13a 15(e) under the Securities and Exchange Act of 1934, as amended) as of June 30, 2009. Based upon that

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

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

PART II OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

See Note 12, Commitments and Contingent Liabilities , to the Condensed Consolidated Financial Statements.

Item 1A. RISK FACTORS

There has not been any material change in the risk factors disclosure from that contained in the Company s 10-K for the year ended December 31, 2008.

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

The Company had no purchases of its equity securities for the three month period ended June 30, 2009. Purchases under the following plan have not been suspended:

	Total Number Of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
As of June 30, 2009	951,673	$30.60	951,373	$ 11,654,894

(1) On May 12, 2008, the Board of Directors authorized the repurchase of up to $25,000,000 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 $15,000,000 of

the Company s common shares until December 31, 2010 at which time this authorization will expire.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Company s annual meeting held on May 21, 2009, the following individuals were elected to the Board of Directors:

Name	Authority Granted	Withheld Authority
Lee B. Foster II	9,338,440	166,524
Stan L. Hasselbusch	9,335,033	169,931
Peter McIlroy II	9,460,807	44,157
G. Thomas McKane	9,173,215	331,749
Diane B. Owen	9,462,670	42,294
William H. Rackoff	9,329,876	175,088
Suzanne B. Rowland	9,449,955	55,009

Also at the Company s annual meeting held on May 21, 2009, approval was granted for the ratification of appointment of Ernst & Young LLP as the Company s independent registered public accountants for 2009 with the following results:

	Authority Granted	Withheld Authority	Abstained Authority
Ernst & Young LLP	9,301,041	138,170	65,753

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

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

3.1	Restated Certificate of Incorporation, filed as Exhibit 3.1 to Form 10-Q for the quarter ended March 31, 2003.
3.2	Bylaws of the Registrant, as amended and filed as Exhibit 3.2 to Form 10-K for the year ended December 31, 2007.
4.0	Rights Amendment, dated as of May 15, 1997 between L. B. Foster Company and American Stock Transfer & Trust Company, including the form of Rights Certificate and the Summary of Rights attached thereto, filed as Exhibit 4.0 to Form 10-K for the year ended December 31, 2002.
4.1	Rights Amendment, dated as of October 24, 2006, between L. B. Foster Company and American Stock Transfer & Trust Company, including the form of Rights Certificate and the Summary of Rights attached thereto, filed as Exhibit 4B to Form 8-K on October 27, 2006.
10.0	Amended and Restated Revolving Credit Agreement dated May 5, 2005, between Registrant and PNC Bank, N.A., LaSalle Bank N.A., and First Commonwealth Bank, filed as Exhibit 10.0 to Form 10-Q for the quarter ended March 31, 2005.
10.0.1	First Amendment to Revolving Credit and Security Agreement dated September 13, 2005, between Registrant and PNC Bank, N.A., LaSalle Bank N.A., and First Commonwealth Bank, filed as Exhibit 10.0.1 to Form 8-K on September 14, 2005.
10.0.3	Third Amendment to Revolving Credit and Security Agreement dated February 8, 2007, between Registrant and PNC Bank, N.A., LaSalle Bank N.A., and First Commonwealth Bank, filed as Exhibit 10.0.3 to Form 8-K on February 9, 2007.
10.0.5	Fifth Amendment to Revolving Credit and Security Agreement dated March 4, 2009, between Registrant and PNC Bank, N.A., Bank of America, N.A., and First Commonwealth Bank, filed as Exhibit 10.0.5 to Form 10-K for the year ended December 31, 2008.
10.12	Lease between CXT Incorporated and Pentzer Development Corporation, dated April 1, 1993, filed as Exhibit 10.12 to Form 10-K for the year ended December 31, 2004.
10.12.1	Second Amendment dated March 12, 1996 to lease between CXT Incorporated and Crown West Realty, LLC, successor, filed as Exhibit 10.12.1 to Form 10-K for the year ended December 31, 2004.
10.12.2	Third Amendment dated November 7, 2002 to lease between CXT Incorporated and Crown West Realty, LLC, filed as Exhibit 10.12.2 to Form 10-K for the year ended December 31, 2002.
10.12.3	Fourth Amendment dated December 15, 2003 to lease between CXT Incorporated and Crown West Realty, LLC, filed as Exhibit 10.12.3 to Form 10-K for the year ended December 31, 2003.
10.12.4	Fifth Amendment dated June 29, 2004 to lease between CXT Incorporated and Park SPE, LLC, filed as Exhibit 10.12.4 to Form 10-K for the year ended December 31, 2004.

10.12.5 Sixth Amendment dated May 9, 2006 to lease between CXT Incorporated and Park SPE, LLC, filed as Exhibit 10.12.5 to Form 10-Q for the quarter ended June 30, 2006.

10.12.6 Seventh Amendment dated April 28, 2008 to lease between CXT Incorporated and Park SPE, LLC, filed as Exhibit 10.12.6 to Form 8-K of May 2, 2008.

10.13 Lease between CXT Incorporated and Crown West Realty, LLC, dated December 20, 1996, filed as Exhibit 10.13 to Form 10-K for the year ended December 31, 2004.

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10.13.1 Amendment dated June 29, 2001 between CXT Incorporated and Crown West Realty, filed as Exhibit 10.13.1 to Form 10-K for the year ended December 31, 2007.

10.14 Lease of property in Tucson, AZ between CXT Incorporated and the Union Pacific Railroad Company dated May 27, 2005, filed as Exhibit 10.14 to Form 10-Q for the quarter ended June 30, 2005.

10.15 Lease of property in Grand Island, NE between CXT Incorporated and the Union Pacific Railroad Company, dated May 27, 2005, and filed as Exhibit 10.15 to Form 10-Q for the quarter ended June 30, 2005.

10.15.1 Industry Track Contract between CXT Incorporated and the Union Pacific Railroad Company, dated May 27, 2005, filed as Exhibit 10.15 to Form 10-Q for the quarter ended June 30, 2005.

10.16 Lease Agreement dated March 3, 2008 between CCI-B Langfield I, LLC, as Lessor, and Registrant as Lessee, related to Registrant s threading operation in Harris County, Texas and filed as Exhibit 10.16 to Form 8-K on March 7, 2008.

10.16.1 First Amendment dated April 1, 2008 to lease between CCI-B Langfield I, LLC, as Lessor, and Registrant as Lessee, related to Registrant s threading operation in Harris County, Texas, filed as Exhibit 10.16.1 to Form 8-K on May 1, 2008.

10.16.2 Second Amendment dated January 6, 2009 to lease between CCI-B Langfield I, LLC, as lessor, and Registrant as Lessee, related to Registrant s threading operation in Harris County, Texas, filed as Exhibit 10.16.2 to Form 10-K for the year ended December 31, 2008.

10.17 Lease between Registrant and the City of Hillsboro, TX dated February 22, 2002, and filed as Exhibit 10.17 to Form 10-K for the year ended December 31, 2007.

10.19 Lease between Registrant and American Cast Iron Pipe Company for pipe-coating facility in Birmingham, AL, dated December 11, 1991, filed as Exhibit 10.19 to Form 10-K for the year ended December 31, 2002.

10.19.1 Amendment to Lease between Registrant and American Cast Iron Pipe Company for pipe-coating facility in Birmingham, AL dated November 15, 2000, and filed as Exhibit 10.19.1 to Form 10-Q for the quarter ended March 31, 2006.

10.20 Equipment Purchase and Service Agreement by and between the Registrant and LaBarge Coating LLC, dated July 31, 2003, and filed as Exhibit 10.20 to Form 10-Q for the quarter ended September 30, 2003.

^ 10.21 Agreement for Purchase and Sales of Concrete Ties between CXT Incorporated and the Union Pacific Railroad dated January 24, 2005, and filed as Exhibit 10.21 to Form 10-K for the year ended December 31, 2004.

^ 10.21.1 Amendment to Agreement for Purchase and Sales of Concrete Ties between CXT Incorporated and the Union Pacific Railroad dated October 28, 2005, and filed as Exhibit 10.21.1 to Form 8-K on November 14, 2005.

10.24 Asset Purchase Agreement by and between the Registrant and The Reinforced Earth Company dated February 15, 2006, filed as Exhibit 10.24 to Form 10-K for the year ended December 31, 2005.

10.33.2	Amended and Restated 1985 Long-Term Incentive Plan as of May 25, 2005, filed as Exhibit 10.33.2 to Form 10-Q for the quarter ended June 30, 2005. **
10.34	Amended and Restated 1998 Long-Term Incentive Plan as of May 25, 2005, filed as Exhibit 10.34 to Form 10-Q for the quarter ended June 30, 2005. **
10.34.1	Amendment, effective May 24, 2006, to Amended and Restated 1998 Long-Term Incentive Plan as of May 25, 2005, filed as Exhibit 10.34.1 to Form 8-K on May 31, 2006. **
10.45	Medical Reimbursement Plan (MRP1) effective January 1, 2006, filed as Exhibit 10.45 to Form 10-K for the year ended December 31, 2005. **

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10.45.1 Medical Reimbursement Plan (MRP2) effective January 1, 2006, filed as Exhibit 10.45.1 to Form 10-K for the year ended December 31, 2005. **

10.46 Leased Vehicle Plan as amended and restated on September 1, 2007, filed as Exhibit 10.46 to Form 10-Q for the quarter ended September 30, 2007. **

10.51 Supplemental Executive Retirement Plan as Amended and Restated on January 1, 2009, filed as Exhibit 10.51 to Form 10-K for the year ended December 31, 2008. **

10.53 Directors resolution dated March 6, 2008, under which directors compensation was established, filed as Exhibit 10.53 to Form 10-Q for the quarter ended March 31, 2008. **

10.55 Management Incentive Compensation Plan for 2007, filed as Exhibit 10.55 to Form 8-K on March 8, 2007. **

10.57.1 2006 Omnibus Plan, as amended and restated March 6, 2008, filed as exhibit 10.57.1 to Form 8-K on March 12, 2008. **

10.58 Special Bonus Arrangement, effective May 24, 2006, filed as Exhibit 10.58 to Form 8-K on May 31, 2006. **

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

10.60 Letter agreement on Lee B. Foster II s retirement, filed as Exhibit 10.59 to Form 8-K on April 22, 2008. **

19 Exhibits marked with an asterisk are filed herewith.

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

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

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

* Exhibits marked with an asterisk are filed herewith.

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

Exhibit.

^ Portions of the exhibit have been omitted pursuant to a confidential treatment request.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

L.B. FOSTER COMPANY
(Registrant)

Date: August 7, 2009

By: /s/ David J. Russo

David J. Russo
Senior Vice President,
Chief Financial Officer and Treasurer
(Duly Authorized Officer of Registrant)