HUNT JOHNELLE D
Form 4
March 07, 2013

FORM 4

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person *
HUNT JOHNELLE D

(Last) (First) (Middle)

615 J.B. HUNT CORPORATE DRIVE

(Street)

LOWELL, AR 72745

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
HUNT J B TRANSPORT SERVICES INC [JBHT]

3. Date of Earliest Transaction (Month/Day/Year)
03/05/2013

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director __X__ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	03/05/2013		S		234,434	D	$ 70.196	18,796,985	I	By J.B. Hunt, LLC
Common Stock								607,352	D	
Common Stock								291,310	I	Via Johnelle Hunt, Llc
Common Stock (k)								3,085	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HUNT JOHNELLE D 615 J.B. HUNT CORPORATE DRIVE LOWELL, AR 72745		X		

Signatures

David G. Mee Attorney-in-Fact	03/07/2013
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. oster Company is organized and evaluated by product group, which is the basis for identifying reportable segments.

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

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

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

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

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

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

			2012		
	Net Sales	**Segment Profit**	**Segment Assets**	**Depreciation/ Amortization**	**Expenditures for Long-Lived Assets**
			In thousands		
Rail Products	**$ 370,322**	**$ 9,074**	**$ 204,341**	**$ 9,736**	**$ 4,180**
Construction Products	**169,253**	**7,859**	**73,804**	**2,119**	**474**
Tubular Products	**48,966**	**12,854**	**13,573**	**599**	**1,350**
Total	**$ 588,541**	**$ 29,787**	**$ 291,718**	**$ 12,454**	**$ 6,004**

			2011		
	Net Sales	**Segment Profit**	**Segment Assets**	**Depreciation/ Amortization**	**Expenditures for Long-Lived Assets**
			In thousands		
Rail Products	$ 315,133	$ 18,724	$ 191,278	$ 8,908	$ 5,894
Construction Products	227,734	16,323	88,615	2,180	1,049
Tubular Products	32,470	6,810	11,758	453	3,995
Total	$ 575,337	$ 41,857	$ 291,651	$ 11,541	$ 10,938

			2010		
	Net Sales	**Segment Profit**	**Segment Assets**	**Depreciation/ Amortization**	**Expenditures for Long-Lived Assets**
			In thousands		
Rail Products	$ 211,974	$ 11,905	$ 203,263	$ 6,327	$ 3,094
Construction Products	227,865	20,356	87,121	1,761	1,398
Tubular Products	27,219	3,949	6,207	765	543
Total	$ 467,058	$ 36,210	$ 296,591	$ 8,853	$ 5,035

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

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

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

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

	2012	2011	2010
		In thousands	
United States	**$ 485,111**	$ 483,889	$ 443,547
Canada	**40,892**	41,252	9,862
United Kingdom	**18,698**	14,728	627
Other	**43,840**	35,468	13,022

	$ 588,541	$ 575,337	$ 467,058

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

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

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

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

Note 3.

Acquisitions

Portec Rail Products, Inc.

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

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

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

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

Dilutive earnings per share	$	2.11

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

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

Interlocking Deck Systems International, LLC

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

Note 4.

Discontinued Operations

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

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

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

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

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

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

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

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

Note 5.

Goodwill and Other Intangible Assets

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

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

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

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

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

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

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

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

Note 6.

Accounts Receivable

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

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

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

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

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

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

Note 7.

Inventory

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

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

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

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Note 8.

Property, Plant and Equipment

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

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

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

Note 9.

Investments

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

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

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

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

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

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

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

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

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

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

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

Note 10.

Deferred Revenue

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

Note 11.

Borrowings

United States

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

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Explanation of Responses:

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

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

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

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

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

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

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

Letters of Credit

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

United Kingdom

A subsidiary of the Company has a working capital facility with NatWest Bank for its United Kingdom operations which includes an overdraft availability of £1,500,000 pounds sterling (approximately $2,437,000 at December 31, 2012). This credit facility supports the subsidiary s working capital requirements and is collateralized by substantially all of the assets of its United Kingdom operations. The interest rate on this facility is the financial institution s base rate plus 1.50%. Outstanding performance bonds reduce availability under this credit facility. The subsidiary of the Company had no outstanding borrowings under this credit facility as of December 31, 2012. There was approximately $61,000 in outstanding guarantees (as defined in the underlying agreement) at December 31, 2012. There were no borrowings or performance bonds outstanding on this facility as of December 31, 2011. This credit facility was renewed effective August 30, 2012 with no significant changes to the underlying terms or conditions in the facility. The expiration date of this credit facility is August 30, 2013. It is the Company s intention to renew this credit facility with NatWest Bank during the annual review over the credit facility in 2013.

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

Note 12.

Long-Term Debt and Related Matters

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

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

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

	In thousands
2013	$ 35
2014	22
2015	5
	$ 62

Note 13.

Stockholders Equity

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

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

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

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

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

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

Note 14.

Accumulated Other Comprehensive Loss

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

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

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

Note 15.

Earnings Per Common Share

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

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

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

Note 16.

Income Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Note 17.

Stock-based Compensation

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

Stock Option Awards

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

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

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

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

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

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

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

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

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

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

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

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

Fully-Vested Stock Awards

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

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

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

Restricted Stock Awards

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

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

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

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

Performance Unit Awards

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

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

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

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

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

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

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

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

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

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

Note 18.

Retirement Plans

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

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

United States Defined Benefit Plans

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

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

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

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

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

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

	2012	2011
Discount rate	**4.0%**	4.5%

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

	2012	2011	2010
Discount rate	**4.00%**	5.48%	6.00%
Expected rate of return on plan assets	**6.50%**	6.70%	7.75%

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

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

	2012	2011
	In thousands	
Projected benefit obligation	**$ 18,034**	$ 16,986
Accumulated benefit obligation	**18,034**	16,986
Fair value of plan assets	**13,262**	12,088

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

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

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

	December 31, 2012	2011
	In thousands	
Asset Category		
Cash and cash equivalents	**$ 984**	$ 513
Fixed income funds		
Government bonds		1,342
Corporate bonds	**4,168**	3,146
Total fixed income funds	**4,168**	4,488
Equity funds and equities		
Mutual funds	**7,163**	678
Common stock	**947**	6,409

Total equity funds and equities	**8,110**	7,087
Total	**$ 13,262**	$ 12,088

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

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

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

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

The following benefit payments are expected to be paid:

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

United Kingdom Defined Benefit Plans

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

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

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

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

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

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

	2012	2011
Discount rate	**4.3%**	4.7%
Expected rate of return on plan assets	**5.2%**	5.7%

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

	2012	2011
	In thousands	
Projected benefit obligation	**$ 8,034**	$ 6,964
Accumulated benefit obligation	**8,034**	6,964
Fair value of plan assets	**6,051**	5,160

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

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

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

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

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

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

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

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

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

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

Other Post-Retirement Benefit Plan

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

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

	2012	2011
Discount rate	**4.4%**	5.3%
Weighted average health care trend rate	**6.6%**	7.0%

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

Defined Contribution Plans

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

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

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

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

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

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

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

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

Note 19.

Rental and Lease Information

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

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

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

Assets recorded under capital leases are as follows:

	2012	2011
	In thousands	
Land improvements	**$ 6,373**	$ 6,372
Machinery and equipment at cost	**6,395**	6,399

Buildings	**399**	399
	13,167	13,170
Less accumulated amortization	**12,556**	11,019
Net capital lease assets	**$ 611**	$ 2,151

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

Note 20.

Fair Value Measurements

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

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

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

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

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

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

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

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

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

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

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

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

Note 21.

Commitments and Contingent Liabilities

<u>Product Liability Claims</u>

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

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

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

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

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

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

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

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

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

Environmental and Legal Proceedings

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

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

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

On January 11, 2012, CXT received a subpoena from the United States Department of Transportation Inspector General (IG) requesting records related to its manufacture of concrete railroad ties in Grand Island, NE. CXT and the Company have been cooperating fully with the IG.

Note 22.

Quarterly Financial Information (Unaudited)

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

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

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

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

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

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

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

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

None.

ITEM 9A. ***CONTROLS AND PROCEDURES***

Evaluation of Disclosure Controls and Procedures

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

Managements Report on Internal Control Over Financial Reporting

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

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

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

ITEM 9B. ***OTHER INFORMATION***

None.

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

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

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

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

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

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

ITEM 11. *EXECUTIVE COMPENSATION*

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

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

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

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

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

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

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

ITEM 14. *PRINCIPAL ACCOUNTANT FEES AND SERVICES*

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

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PART IV

ITEM 15. ***EXHIBITS AND FINANCIAL STATEMENT SCHEDULES***
The following documents are filed as a part of this Report:

(a)(1). *Financial Statements*

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

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

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

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

(a)(3). *Exhibits*

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

L. B. FOSTER COMPANY AND SUBSIDIARIES

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

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

(1) Notes and accounts receivable written off as uncollectible.

(2) Other additions relate to the Rail Technologies acquisition.

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SIGNATURES

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

L.B. FOSTER COMPANY

Date: March 8, 2013

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

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

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

Item 6. EXHIBITS

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

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

**10.13	Form of Performance Share Unit Award Agreement (2008 2011), filed as Exhibit 10.15 to Form 10-K for the year ended December 31, 2011.
**10.13.1	Form of Performance Share Unit Award Agreement (2012), filed as Exhibit 10.15.1 to Form 10-K for the year ended December 31, 2011.
*10.13.2	Form of Performance Share Unit Award Agreement (2013), filed herewith. **
**10.14	Executive Annual Incentive Compensation Plan, filed as Exhibit 10.59 to Form 8-K on March 12, 2008.
*10.15	Amended and Restated Key Employee Separation Plan, filed herewith. **
**10.16	Restated Supplemental Executive Retirement Plan, filed as Exhibit 10.1 to Form 10-Q for the quarter ended June 30, 2012.
**10.17	Amended and Restated 1985 Long-Term Incentive Plan as of May 25, 2005, filed as Exhibit 10.33.2 to Form 10-K for the year ended December 31, 2010.
**10.18	Amended and Restated 1998 Long-Term Incentive Plan as of May 25, 2005, filed as Exhibit 10.34 to Form 10-K for the year ended December 31, 2010.
**10.19	Amendment, effective May 24, 2006, to Amended and Restated 1998 Long-Term Incentive Plan as of May 25, 2005, filed as Exhibit 10.34.1 to Form 10-K for the year ended December 31, 2010.
**10.20	Medical Reimbursement Plan (MRP1) effective January 1, 2006, filed as Exhibit 10.45 to Form 10-K for the year ended December 31, 2010.
**10.21	Medical Reimbursement Plan (MRP2) effective January 1, 2006, filed as Exhibit 10.45.1 to Form 10-K for the year ended December 31, 2010.
**10.22	Amendments to MRP2 filed as Exhibit 10.45.2 to Form 10-K for the year ended December 31, 2010.
**10.23	Leased Vehicle / Vehicle Allowance Policy, as amended and restated on September 1, 2007, filed as Exhibit 10.46 to Form 10-K for the year ended December 31, 2010.
**10.24	Summary of Director Compensation, filed as Exhibit 10.53 to Form 10-Q for the quarter ended September 30, 2011.
*21	List of Subsidiaries
*23	Consent of Independent Registered Public Accounting Firm.
*31.1	Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
*32.0	Certification of Chief Executive Officer and Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002.
***101.INS	XBRL Instance Document.
***101.SCH	XBRL Taxonomy Extension Schema Document.
***101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
***101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
***101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
***101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
*	Exhibits marked with an asterisk are filed herewith.
**	Identifies management contract or compensatory plan or arrangement required to be filed as an Exhibit.
***	In accordance with SEC Release 33-8238, the certifications contained in Exhibits 32 are being furnished and not filed. In accordance with Rule 406T of Regulation S-T promulgated by the Securities and Exchange Commission, Exhibit 101 is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities and Exchange Act of 1934, and otherwise is not subject to liability under these sections