FOSTER L B CO
Form 10-K
March 08, 2017
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

Annual Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2016

Or

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

Commission File Number 0-10436

L.B. FOSTER COMPANY

(Exact name of registrant as specified in its charter)

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

Registrant s telephone number, including area code:

(412) 928-3400

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

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

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

None

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for shorter period that the registrant was required to submit and post such files). Yes No

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant s most recently completed second fiscal quarter was $94,386,134.

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

Class	**Outstanding at February 17, 2017**
Common Stock, Par Value $0.01	10,320,130 shares

Documents Incorporated by Reference:

Portions of the Proxy Statement prepared for the 2016 Annual Meeting of Shareholders are incorporated by reference in Items 10, 11, 12, 13 and 14 of Part III of this Form 10-K. The 2017 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

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Forward-Looking Statements

This Annual Report on Form 10-K contains forward- looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Many of the forward-looking statements are located in Management s Discussion and Analysis of Financial Condition and Results of Operations. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Sentences containing words such as believe, intend, plan, may, expect, should, could, anticipate, estimate, predict, pro negatives, or other similar expressions generally should be considered forward-looking statements. Forward-looking statements in this Annual Report on Form 10-K may concern, among other things, L.B. Foster Company s (the Company s) expectations relating to our strategy, goals, projections and plans regarding our financial position, liquidity, capital resources and results of operations, the outcome of litigation and product warranty claims, decisions regarding our strategic growth initiatives, market position, and product development, all of which are based on current estimates that involve inherent risks and uncertainties. The Company has based these forward-looking statements on current expectations and assumptions about future events. While the Company considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks and uncertainties, most of which are difficult to predict and many of which are beyond the Company s control. The Company cautions readers that various factors could cause the actual results of the Company to differ materially from those indicated by forward-looking statements. Accordingly, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Among the factors that could cause the actual results to differ materially from those indicated in the forward-looking statements are risks and uncertainties related to: a continuation or worsening of the current economic slowdown in the markets we serve; the risk of doing business in international markets; our ability to effectuate our strategy including cost reduction initiatives and our ability to effectively integrate new businesses and realize anticipated benefits; costs of and impacts associated with shareholder activism; a decrease in freight or passenger rail traffic; the timeliness and availability of materials from our major suppliers, including the impact on our access to supplies of customer preferences as to the origin of such supplies, such as customer s concerns about conflict minerals; labor disputes; the effective implementation of an enterprise resource planning system; changes in current accounting estimates and their ultimate outcomes; the adequacy of internal and external sources of funds to meet financing needs, including our ability to negotiate any additional necessary amendments to our credit agreement; the Company s ability to manage its working capital requirements and indebtedness; domestic and international taxes; foreign currency fluctuations; inflation; economic conditions and regulatory changes caused by the United Kingdom s likely exit from the European Union; volatile changes in energy prices; a lack of state or federal funding for new infrastructure projects; increased domestic and foreign government regulation; an increase in manufacturing or material costs; the ultimate number of concrete ties that will have to be replaced pursuant to the previously disclosed product warranty claim of the Union Pacific Railroad (UPRR) and an overall resolution of the related contract claims as well as the possible costs associated with the outcome of the lawsuit filed by the UPRR; the loss of future revenues from current customers; and risks inherent in litigation. Should one or more of these risks or uncertainties materialize, or should the assumptions underlying the forward-looking statements prove incorrect, actual outcomes could vary materially from those indicated. The risks and uncertainties that may affect the operations, performance, and results of the Company s business and forward-looking statements include, but are not limited to, those set forth under Item 1A, Risk Factors, and elsewhere in this Annual Report on Form 10-K.

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

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PART I

(Dollars in thousands, except share data unless otherwise noted)

ITEM 1. ***BUSINESS***

Summary Description of Businesses

Formed in 1902, L.B. Foster Company is a Pennsylvania corporation with its principal office in Pittsburgh, PA. L.B. Foster Company is a leading manufacturer and distributor of products and services for the transportation and energy infrastructure. As used herein, Foster, the Company, we, us, and our or similar references refer collectively to L.B. Foster Company and its divisions and subsidiaries, unless the context otherwise requires.

The following table shows, for the last three fiscal years, the net sales generated by each business segment as a percentage of total net sales.

	Percentage of Net Sales		
	2016	**2015**	**2014**
Rail Products and Services	49%	53%	62%
Construction Products	30	28	29
Tubular and Energy Services	21	19	9
	100%	100%	100%

Financial information concerning these segments is set forth in Part II, Item 8, Financial Statements and Supplementary Data, Note 2 Business Segments, to the Consolidated Financial Statements included herein, which is incorporated by reference into this Item 1.

Rail Products and Services

L.B. Foster Company s Rail Products and Services (Rail) segment is comprised of several manufacturing and distribution businesses that provide a variety of products and services for freight and passenger railroads and industrial companies throughout the world. The Rail segment has sales offices throughout the Americas and Europe, and frequently bids on rail projects where it offers products manufactured by the Company, or sourced from numerous supply chain partners, and aftermarket services. The Rail segment is comprised of the following business units: Rail Products, Rail Technologies, and CXT Concrete Ties.

Rail Products

The Rail Products business is comprised of the Company s Rail Distribution, Allegheny Rail, Transit, and Trackwork divisions.

Rail Distribution sells new rail mainly to passenger and shortline freight railroads, industrial companies, and rail contractors for the replacement of existing lines or expansion of new lines. Rail accessories sold by the Rail Distribution division include track spikes, bolts, angle bars, and other products required to install or maintain rail lines. These products are manufactured by the Company or purchased from other manufacturers and distributed accordingly.

The Company s Allegheny Rail Products (ARP) division engineers and fabricates insulated rail joints and related accessories for freight and passenger railroads and industrial customers. Insulated joints are manufactured at the Company s facilities in Pueblo, CO and Niles, OH.

The Company s Transit Products division supplies power rail, direct fixation fasteners, coverboards, and special accessories primarily for passenger railroad systems. These products are fabricated at Company facilities or by subcontractors and are usually sold by sealed bid to passenger railroads or to rail contractors.

The Company s Trackwork division sells trackwork products to Class II and III railroads, industrial, and export markets.

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Rail Technologies

The Company s Rail Technologies division engineers, manufactures, and fabricates friction management products and application systems, railroad condition monitoring equipment, wheel impact load detection, railroad condition monitoring systems, rail anchors and spikes, wayside data collection and management systems, epoxy and nylon-encapsulated insulated rail joints, and track fasteners, and provides aftermarket services. The Company s friction management products control the friction at the rail/wheel interface, helping our customers reduce fuel consumption, improve operating efficiencies, extend the life of operating assets such as rail and wheels, and reduce track stresses, and lower related maintenance and operating costs. Friction management products include mobile and wayside systems that apply lubricants and liquid or solid friction modifiers. These products and systems are designed, engineered, manufactured, and fabricated by certain wholly-owned subsidiaries located in the United States, Canada, United Kingdom, and Germany.

CXT Concrete Ties

L.B. Foster s subsidiary, CXT Incorporated, manufactures engineered concrete railroad ties for freight and passenger railroads and industrial companies at its facility in Spokane, WA.

Construction Products

The Construction products segment is composed of the following product groups: Piling Products, Fabricated Bridge Products, and Precast Concrete Products.

Piling Products

Sheet piling products are interlocking structural steel sections that are generally used to provide lateral support at construction sites. Bearing piling products are steel H-beam sections which are driven into the ground for support of structures such as bridge piers and high-rise buildings. Piling is often used in water and land applications including cellular cofferdams and OPEN CELL® structures in inland river systems and ports.

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

Fabricated Bridge Products

The fabricated products facility in Bedford, PA manufactures a number of fabricated steel and aluminum products primarily for the highway, bridge, and transit industries including concrete reinforced steel grid deck, open steel grid deck, aluminum bridge railing, and stay-in-place steel bridge forms.

Precast Concrete Products

The precast concrete products unit primarily manufactures concrete buildings for national, state, and municipal parks. This unit manufactures restrooms, concession stands, and other protective storage buildings available in multiple designs, textures, and colors. The Company is a leading high-end supplier in terms of volume, product options, and capabilities. The unit also manufactures various other precast products such as burial vaults, bridge beams, box culverts, septic tanks, and other custom pre-stressed and precast concrete products. The products are manufactured in Spokane, WA, Hillsboro, TX, and Waverly, WV.

Tubular and Energy Services

The Tubular and Energy Services segment has four primary product or service groups: Protective Coatings, Threaded Products, precision measurement systems and upstream test and inspection services. The segment provides products and services predominantly to the mid and upstream oil and gas markets.

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Protective Coatings

There are two pipeline service locations that make up the Protective Coatings business unit. The Birmingham, AL facility coats the outside diameter and, to a lesser extent, the inside diameter of pipe primarily for oil & gas transmission pipelines. This location partners with its primary customer, a pipe manufacturer, to market fusion bonded epoxy coatings, abrasion resistant coatings, and internal linings for a wide variety of pipe diameters for pipeline projects throughout North America. The second location is in Willis, TX. The Willis facility applies specialty outside and inside diameter coatings for a wide variety of pipe diameters for oil & gas transmission, mining, and waste water pipelines. This location also provides custom coatings for specialty fittings and field service connections.

Threaded Products

The Company s Magnolia, TX facility cuts, threads, and paints pipe primarily for water well applications for the agriculture industry, municipal water authorities, and Oil Country Tubular Goods (OCTG) markets.

Precision Measurement Systems

The Company manufactures and provides a turnkey solution for metering and injection systems for the oil and, to a lesser extent, gas industry. The Willis, TX location operates a fabrication plant that builds metering systems for custody transfer applications including crude oil and other petroleum-based products. These systems are used at well sites, pipelines, refineries, chemical plants, and loading/unloading facilities. The Willis location also manufactures and installs additive and dye injection systems. These systems are used to inject performance additives and/or dyes into petroleum products.

Upstream Test and Inspection Services

The Company provides inspection and tubular integrity management services for the upstream oil and gas industry. Services include non-destructive testing, inspection, and other asset integrity services such as repair and threading for OCTG and drill tools. Inspection and testing of these products, which include replaceable and re-usable products such as casing, production tubing, drill pipe, directional motors, drill collars, and related equipment, is a critical preventative measure to ensure personnel and well-site safety, enhance efficiency, and avoid costly equipment failures and well-site shutdowns. The Company offers these services in every major oil and gas producing region throughout the United States.

L.B. Pipe Joint Venture

The Company is a member of a joint venture, LB Pipe & Coupling Products, LLC (LB Pipe JV), in which it maintains a 45% ownership interest. LB Pipe JV manufactures, markets, and sells various precision couplings and other tubular products for the energy, utility, and construction markets and is scheduled to terminate on June 30, 2019. More information concerning LB Pipe JV is set forth in Part II, Item 8, Financial Statements and Supplementary Data, Note 8 Investments, to the Consolidated Financial Statements included herein, which is incorporated by reference into this Item 1.

Marketing and Competition

L.B. Foster Company generally markets its rail products directly in all major industrial areas of the United States, Canada, and Europe. The construction and tubular and energy products and services are primarily marketed domestically. The Company employs a sales force of approximately 103 people that is supplemented with a network of agents across Europe, South America, and Asia to reach current customers and cultivate potential customers in these areas. For the years ended 2016, 2015, and 2014, approximately 19%, 16%, and 18%, respectively, of the Company s total sales were outside the United States.

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

During 2016, 2015, and 2014, no single customer accounted for more than 10% of the Company s consolidated net sales.

Raw Materials and Supplies

Most of the Company s products are purchased in the form of finished or semi-finished products. The Company purchases the majority of its supplies from domestic and foreign steel producers. Generally, the Company has a number of vendor options. However, the Company has an arrangement with a steel mill to distribute steel sheet piling in North America. Should sheet piling from its present supplier not be available for any reason, the Company risks not being able to provide product to its customers.

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

Backlog

The dollar amount of firm, unfilled customer orders at December 31, 2016 and 2015 by business segment is as follows:

	December 31,	
	2016	2015
Rail Products and Services	$ 62,743	$ 85,199
Construction Products	71,954	45,371
Tubular and Energy Services	12,759	34,137
Total	$ 147,456	$ 164,707

Approximately 5% of the December 31, 2016 backlog is related to projects that will extend beyond 2017.

Research and Development

Expenditures for research and development approximated $3,511, $3,937, and $3,096 in 2016, 2015, and 2014, respectively. These expenditures were predominately associated with expanding product lines and capabilities within the Company s Rail Technologies business.

Patents and Trademarks

The Company owns a number of domestic and international patents and trademarks primarily related to its Rail Technologies products. Our business segments are not dependent upon any individual patent or related group of patents, or any licenses or distribution rights. We believe that, in the aggregate, the rights under our patents, trademarks, and licenses are generally important to our operations, but we do not consider any individual patent or trademark, or any licensing or distribution rights related to a specific process or product, to be of material importance in relation to our total business.

Environmental Disclosures

Information regarding environmental matters is included in Part II, Item 8, Financial Statements and Supplementary Data, Note 19 Commitments and Contingent Liabilities, which is incorporated by reference into this Item 1.

Employees and Employee Relations

At December 31, 2016, the Company had approximately 1,241 employees, 1,062 within the Americas and 179 of whom were located in Europe. There were 617 hourly production workers and 624 salaried employees. Of the hourly production workers, approximately 146 are represented by unions. The Company has not suffered any major work stoppages during the past five years and considers its relations with its employees to be satisfactory.

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Two contracts covering approximately 43 and 76 employees expire in March and September 2017, respectively. The Company anticipates successfully renegotiating both of these contracts.

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

Financial Information about Liquidity and Capital Resources

Information concerning the Company s liquidity and capital resources and the Company s working capital requirements can be found in Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations.

Financial Information about Geographic Areas

Financial information about geographic areas is set forth in Part II, Item 8, Financial Statements and Supplementary Data, Note 2 Business Segments, to the Consolidated Financial Statements included herein, which is incorporated by reference into this Item 1.

Financial Information about Segments

Financial information about segments is set forth in Part II, Item 8, Financial Statements and Supplementary Data, Note 2 Business Segments, to the Consolidated Financial Statements included herein, which is incorporated by reference into this Item 1.

Code of Ethics

L.B. Foster Company has a legal and ethical conduct policy applicable to all directors and employees, including its Chief Executive Officer, Chief Financial Officer, and Controller. This policy is posted on the Company s website, *www.lbfoster.com*. The Company intends to satisfy the disclosure requirement regarding certain amendments to, or waivers from, provisions of its policy by posting such information on the Company s website. In addition, our ethics hotline can also be used by employees and others for the anonymous communication of concerns about financial controls, human resource concerns, and other reporting matters.

Available Information

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

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Executive Officers of the Registrant

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

Name	Age	Position
Robert P. Bauer	58	President and Chief Executive Officer
Patrick J. Guinee	47	Vice President, General Counsel and Secretary
John F. Kasel	51	Senior Vice President Rail Products and Services
Brian H. Kelly	57	Vice President Human Resources and Administration
Alexandre Kosmala	51	Senior Vice President Tubular and Energy Services and Construction
Gregory W. Lippard	48	Vice President Rail Sales and Products
David J. Russo	58	Senior Vice President, Chief Financial Officer and Treasurer
Christopher T. Scanlon	41	Controller and Chief Accounting Officer

Mr. Bauer was elected President and Chief Executive Officer upon joining the Company in 2012. Prior to joining the Company, beginning in 2011, Mr. Bauer previously served as President of the Refrigeration Division of the Climate Technologies business of Emerson Electric Company, a diversified global manufacturing and technology company. From 2002 until 2011, Mr. Bauer served as President of Emerson Network Power s Liebert Division.

Mr. Guinee was elected Vice President, General Counsel and Secretary in 2014. Prior to joining the Company, Mr. Guinee served as Vice President Securities & Corporate and Assistant Secretary at Education Management Corporation from 2013 to early 2014, and was employed by H. J. Heinz Company from 1997 to 2013, last serving as Vice President - Corporate Governance & Securities and Assistant Secretary.

Mr. Kasel was elected Senior Vice President Rail Products and Services in 2012 having previously served as Senior Vice President Operations and Manufacturing since 2005 and Vice President Operations and Manufacturing since 2003. Mr. Kasel served as Vice President of Operations for Mammoth, Inc., a Nortek company from 2000 to 2003.

Mr. Kelly was elected Vice President Human Resources and Administration in 2012 having previously served as Vice President, Human Resources since 2006. Prior to joining the Company, Mr. Kelly headed Human Resources for 84 Lumber Company from 2004. Previously, he served as a Director of Human Resources for American Greetings Corp. from 1994 to 2004.

Mr. Kosmala was elected Senior Vice President Tubular and Energy Services and Construction in August 2016. Prior to joining the Company, Mr. Kosmala served as Executive Vice President for Saltel Industries beginning in May 2013. Mr. Kosmala was President and CEO of Artificial Lift Company from October 2010 through May 2013 and served in various managerial capacities at Schlumberger from 1990 through 2010.

Mr. Lippard was elected Vice President Rail Sales and Products in 2012 having previously served as Vice President Rail Product Sales since 2000. Prior to re-joining the Company in 2000, Mr. Lippard served as Vice President International Trading for Tube City, Inc. from 1998. Mr. Lippard served in various other capacities with the Company since his initial employment in 1991.

Mr. Russo is the Senior Vice President, Chief Financial Officer and Treasurer having resigned as Chief Accounting Officer in 2012 upon the appointment of Mr. Scanlon as Controller and Chief Accounting Officer in 2012. Mr. Russo was previously elected Senior Vice President, Chief Financial and Accounting Officer and Treasurer in 2010 having served previously as Senior Vice President, Chief Financial Officer and Treasurer since 2002. Mr. Russo was Corporate Controller of WESCO International Inc. from 1999 until joining the Company in 2002.

Mr. Scanlon was elected Controller and Chief Accounting Officer in 2012. Prior to joining the Company, Mr. Scanlon served as the Online Higher Education Division Controller of Education Management Corporation from 2009 to 2012. Mr. Scanlon served as Manager of Central Accounting Services for Bayer Corporation from 2007 until 2009.

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

ITEM 1A. ***RISK FACTORS***
Risks and Uncertainties

We operate in a changing environment that involves numerous known and unknown risks and uncertainties that could have a material adverse effect on our business, financial condition, and results of operations. The following risks highlight some of the more significant factors that have affected us and could affect us in the future. We may also be affected by unknown risks or risks that we currently believe are immaterial. If any such events actually occur, our business, financial condition, and results of operations could be materially adversely affected. You should carefully consider the following factors and other information contained in this Annual Report on Form 10-K before deciding to invest in our common stock.

Our inability to successfully manage joint ventures, divestitures, and other significant transactions could harm our financial results, business, and prospects.

As part of our business strategy, we may divest businesses or assets, enter into strategic alliances and joint ventures, and make investments to realize anticipated benefits, which actions involve a number of inherent risks and uncertainties. We can give no assurances that the opportunities will be consummated or that financing will be available. We may not be able to achieve the synergies and other benefits we expect from strategic transactions as successfully or rapidly as projected, if at all.

Our future performance and market value could cause additional write-downs of long-lived and intangible assets in future periods.

We are required under U.S. generally accepted accounting principles to review intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Factors that may be considered to be a change in circumstances indicating that the carrying value of our intangible assets may not be recoverable include, but are not limited to, a decline in stock price and resulting market capitalization, a significant decrease in the market value of an asset, or a significant decrease in operating or cash flow projections. During 2016, we performed an interim goodwill test and concluded that the carrying amounts of the Rail Technologies, Protective Coatings and Chemtec reporting units goodwill exceeded the implied fair values of that goodwill. We recognized non-cash goodwill impairment charges of $61,142 to write down the carrying values to the implied fair values, of which $16,560 represents the full carrying value of goodwill related to the 2013 Ball Winch acquisition and $11,873 representing the remaining carrying value related to the Chemtec reporting unit. During the third quarter of 2015, we performed an interim goodwill test and concluded that the carrying amounts of the IOS and Chemtec reporting units goodwill exceeded the implied fair values of that goodwill. We recognized a non-cash goodwill impairment charge of $80,337 to write down the carrying values to the implied fair values, of which $69,908 represented the full carrying value of goodwill related to the IOS acquisition and the remaining $10,429 related to the Chemtec reporting unit.

During 2016, we performed interim long-lived asset recoverability tests and concluded that the long-lived assets related to the IOS and Chemtec divisions had carrying values in excess of the asset groups fair value. We recognized non-cash definite-lived intangible asset impairment charges of $59,786 to write down the carrying values to the implied fair values, of which $42,982 relates to the IOS acquisition and $16,804 relates to the Chemtec reporting unit. Finally in 2016, we recognized $14,956 non-cash tangible long-lived impairment charges related to the carrying value of certain long-lived tangible assets exceeding their fair value, all of which related to the IOS acquisition.

No assurances can be given that we will not be required to record future significant charges related to tangible or intangible asset impairments.

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Our indebtedness could materially adversely affect our business, financial condition, and results of operations and prevent us from fulfilling our obligations.

Our indebtedness could materially adversely affect our business, financial condition, and results of operations. For example, it could:

- require us to dedicate a substantial portion of our cash flows to payments of our indebtedness, which would reduce the availability of our cash flow to fund working capital, capital expenditures, expansion efforts, and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit, among other things, our ability to borrow additional funds for working capital, capital expenditures, or general corporate purposes.

Our inability to comply with covenants in place or our inability to make the required principal and interest payments may cause an event of default, which could have a substantial adverse impact to our business, financial condition, and results of operations. There is no assurance that refinancings or asset dispositions could be effected on a timely basis or on satisfactory terms, if at all, particularly if credit market conditions deteriorate. Furthermore, there can be no assurance that refinancings or asset dispositions would be permitted by the terms of our credit agreements or debt instruments. Our existing credit agreements contain, and any future debt agreements we may enter into may contain, certain financial tests and other covenants that limit our ability to incur indebtedness, acquire other businesses, and impose various other restrictions. Our ability to comply with financial tests may be adversely affected by changes in economic or business conditions beyond our control, and these covenants may limit our ability to take advantage of potential business opportunities as they arise. We cannot be certain that we will be able to comply with the financial tests and other covenants, or, if we fail to do so, that we will be able to obtain waivers or amended terms from our lenders. An uncured default with respect to one or more of the covenants could result in the amounts outstanding being declared immediately due and payable, which may also trigger an obligation to redeem our outstanding debt securities and repay all other outstanding indebtedness. Any such acceleration of our indebtedness would have a material adverse effect on our business, financial condition, and results of operations.

Prolonged low energy prices and other unfavorable changes in U.S., global, or regional economic and market conditions could adversely affect our business.

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

In addition, current volatile market conditions and low energy prices may continue for an extended period, which could continue to negatively affect our business prospects. Historically, oil and natural gas prices have been volatile and are subject to fluctuations in response to changes in supply and demand, market uncertainty, and a variety of additional factors that are beyond our control. Sustained declines, such as began to occur in 2015, in the price of oil and natural gas may continue to have a material adverse effect on our operations and financial condition.

Our ability to maintain or improve our profitability could be adversely impacted by cost pressures.

Our profitability is dependent upon the efficient use of our resources. Rising inflation, labor costs, labor disruptions, and other increases in costs in the geographies where we operate could have a significant adverse impact on our profitability and results of operations.

Management projections, estimates and judgments may not be indicative of our future performance.

Our management is required to use certain estimates in preparing our financial statements, including accounting estimates to determine reserves related to litigation, deferred tax assets and the fair market value of certain assets and liabilities, including our receivables held for sale portfolio. Certain asset and liability valuations are subject to management s judgment and actual results are influenced by factors outside our control.

We are required to establish a valuation allowance for deferred tax assets and record a charge to income and equity if we determine, based on available evidence at the time the determination is made, that it is more likely than not that some portion or all of the deferred tax assets will not be realized. This evaluation process involves significant management judgment about assumptions that are subject to change from period to period. The use of different estimates can result in changes in the amounts of deferred tax items recognized, which can result in equity and earnings volatility because such changes are reported in current period earnings. See Note 14 Income Taxes, in the accompanying consolidated financial statements for additional discussion of our deferred taxes.

Our business operates in highly competitive industries and a failure to react to changing market conditions could adversely impact our business.

We face strong competition in each of the markets in which we participate. A slow response to competitor pricing actions and new competitor entries into our product lines could negatively impact our overall pricing. Efforts to improve pricing could negatively impact our sales volume in all product categories. We may be required to invest more heavily to maintain and expand our product offerings. There can be no assurance that new product offerings will be widely accepted in the markets we serve. Significant negative developments in any of these areas could adversely affect our financial results and condition.

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

We own a number of patents and trademarks under the intellectual property laws of the United States, Canada, Europe, and other countries where product sales are possible. However, we have not perfected patent and trademark protection of our proprietary intellectual property for all products in all countries. The decision not to obtain patent and trademark protection in other countries may result in other companies copying and marketing products that are based upon our proprietary intellectual property. This could impede growth into new markets where we do not have such protections and result in a greater supply of similar products in such markets, which in turn could result in a loss of pricing power and reduced revenue.

Our success is in part dependent on the accuracy and proper utilization of our management information and communications systems.

We are currently working through an enterprise resource program (ERP) system transition and certain divisions of our Company migrated into the new ERP system during 2016 while certain other divisions may be transitioned during 2017 and subsequent years. The system implementation is intended to enable us to better meet the information requirements of our users, increase our integration efficiencies, and identify additional synergies in the future. The implementation of our ERP system is complex because of the wide range of processes and systems to be integrated across our business. Project delays, business interruptions, or loss of expected benefits could have a material adverse effect on our business, financial condition, or results of operations. Any disruptions, delays, or deficiencies in the design, operation, or implementation of our various systems, or in the performance of our systems, particularly any disruptions, delays, or deficiencies that impact our operations, could adversely affect our ability to effectively run and manage our business, including our ability to receive, process, ship, and bill for orders in a timely manner or our ability to properly manage our inventory or accurately present our inventory availability or pricing.

We are subject to cybersecurity risks and may incur increasing costs in an effort to minimize those risks.

Our business employs systems and websites that allow for the storage and transmission of proprietary or confidential information regarding our customers, employees, job applicants, and other parties, including financial information, intellectual property, and personal identification information. Security breaches and other disruptions could compromise our information, expose us to liability, and harm our reputation and business. The

steps we take to deter and mitigate these risks may not be successful. We may not have the resources or technical sophistication to anticipate or prevent current or rapidly evolving types of cyber-attacks. Data and security breaches can also occur as a result of non-technical issues, including an intentional or inadvertent breach by our employees or by persons with whom we have commercial relationships. Any compromise or breach of our security could result in a violation of applicable privacy and other laws, legal and financial exposure, negative impacts on our customers willingness to transact business with us, and a loss of confidence in our security measures, which could have an adverse effect on our results of operations and our reputation.

We are dependent upon key customers.

We could be adversely affected by changes in the business or financial condition of a customer or customers. A prolonged decrease in capital spending by our railroad customers could negatively impact our sales and profitability. As a result of the ongoing litigation and termination of the amended 2005 concrete tie supply agreement with Union Pacific Railroad (UPRR), our CXT Concrete Tie sales to, and new orders from UPRR have ceased which has adversely affected our results beginning in 2015.

Our agreement with our primary Birmingham, AL customer expires during 2017. It is our intention to successfully negotiate an extension to this agreement prior to its expiration. No assurances can be given that a significant downturn in the business or financial condition of a current customer, or customers, or potential litigation with a current customer, would not also impact our results of operations and/or financial condition.

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

We are party to various legal proceedings. In addition, from time to time our customers assert claims against us relating to the warranties which apply to products we sell. There is the potential that a result materially adverse to us or our subsidiaries in pending or future legal proceedings or pending or future product warranty claims could materially exceed any accruals we have established and adversely affect our financial results and/or financial condition. In addition, we could suffer a significant loss of business from a customer who is dissatisfied with the resolution of a warranty claim. For example, UPRR terminated our amended 2005 concrete tie supply agreement over allegedly defective ties and reduced new orders for other products which negatively affected our results beginning in 2015.

In January 2015, UPRR filed a lawsuit against the Company asserting that we were in material breach of our amended 2005 concrete tie supply agreement with UPRR due to claimed failures to provide warranty ties to replace alleged defective concrete ties. UPRR seeks various types of relief including incidental, consequential, and other damages in amounts to be determined at trial under various legal theories. See Part II, Item 8, Financial Statements and Supplementary Data, Note 19 Commitments and Contingent Liabilities, for additional information regarding UPRR s lawsuit. We continue to work with UPRR in an attempt to reach a resolution on this matter. However, such discussions may not be successful, and the results of litigation and any settlement or judgment amounts resulting from this matter may not be within the range of our estimated accrual. Consequently, while we believe the claims in the UPRR lawsuit are without merit, and we intend to vigorously defend ourselves and have asserted a counterclaim for damages in the UPRR lawsuit, an adverse outcome could result in a substantial judgment against us that could have a material adverse effect on our financial condition, results of operations, liquidity, and capital resources. No assurances can be given that prior to any settlement or judgment, we will not take additional material charges because our warranty reserve accrual for UPRR is based upon our current estimate of the number of defective concrete ties that need to be replaced and facts could emerge which would cause us to materially increase this estimate.

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

Doing business outside the United States subjects the Company to various risks, including changing economic climate and political conditions, work stoppages, exchange controls, currency fluctuations, armed conflicts, and unexpected changes in United States and foreign laws relating to tariffs, trade restrictions, transportation regulations, foreign investments, and taxation. Increasing sales to foreign countries exposes the

Company to increased risk of loss from foreign currency fluctuations and exchange controls as well as longer accounts receivable payment cycles. We have little control over most of these risks and may be unable to anticipate changes in international economic and political conditions and, therefore, unable to alter our business practices in time to avoid the adverse effect of any of these possible changes.

Changes in exchange rates for foreign currencies may reduce international demand for our products or increase our labor or supply costs in non-U.S. markets. Fluctuations in the relative values of the United States dollar, Canadian dollar, British pound, and Euro will require adjustments in reported earnings and operations to reflect exchange rate translation in our Canadian and European sales and operations. If the United States dollar strengthens in value as compared to the value of the Canadian dollar, British pound, or Euro, our reported earnings in dollars from sales in those currencies will be unfavorable. Conversely, a favorable result will be reported if the United States dollar weakens in value as compared to the value of the Canadian dollar, British pound, or Euro.

Economic conditions and regulatory changes caused by the United Kingdom s likely exit from the European Union could adversely affect our business.

In June 2016, the United Kingdom (the U.K.) held a referendum in which voters approved an exit from the European Union (E.U.), commonly referred to as Brexit . It is expected that the U.K. government will initiate a process to withdraw from the E.U. and begin negotiating the terms of its separation. The announcement of Brexit has resulted in significant volatility in the global stock market and currency exchange rate fluctuations that resulted in the strengthening of the U.S. dollar relative to the U.K. pound. The announcement of Brexit and likely withdrawal of the U.K. from the E.U. may also create global economic uncertainty. The majority of our U.K. operations are heavily concentrated within the U.K. borders; however, this could adversely affect the future growth of our U.K. operations into other European locations. Our U.K. operations represented approximately 10% of our total revenue for the twelve-month periods ended December 31, 2016 and 2015.

Material modification to tax legislation, NAFTA and certain other international trade agreements could affect our business, financial condition and results of operations.

The current Presidential administration has made comments suggesting it was not supportive of existing tax legislation and certain international trade agreements, including the North American Free Trade Agreement (NAFTA). At this time, it remains unclear what the current administration and Congress would or would not do with respect to the existing tax legislation and these international trade agreements. While the Company is a net exporter out of the United States, potential comprehensive U.S. tax reform or material modifications to NAFTA, or certain other international trade agreements, may adversely impact our business, financial condition, and results of operations.

Violations of foreign governmental regulations, including the U.S. Foreign Corrupt Practices Act and similar worldwide anti-corruption laws, could result in fines, penalties, and criminal sanctions against the Company, its officers, or both and could adversely affect our business.

Our foreign operations are subject to governmental regulations in the countries in which we operate as well as U.S. laws. These include regulations relating to currency conversion, repatriation of earnings, taxation of our earnings and the earnings of our personnel, and the increasing requirement in some countries to make greater use of local employees and suppliers, including, in some jurisdictions, mandates that provide for greater local participation in the ownership and control of certain local business assets.

The U.S. Foreign Corrupt Practices Act and similar other worldwide anti-corruption laws, such as the U.K. Bribery Act, prohibit improper payments for the purpose of obtaining or retaining business. Although we have established an internal control structure, corporate policies, compliance, and training processes to reduce the risk of violation, we cannot ensure that these procedures protect us from violations of such policies by our employees or agents. Failure to comply with applicable laws or regulations could subject us to fines, penalties, and suspension or debarment from contracting. Events of non-compliance could harm our reputation, reduce our revenues and profits, and subject us to criminal and civil enforcement actions. Violations of such laws or allegations of violation could disrupt our business and result in material adverse results to our operating results or future profitability.

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

In our rail products businesses, we rely on a limited number of suppliers for key products that we sell to our customers. In addition, our piling business is predominantly dependent upon one supplier for sheet piling while our protective coatings business is predominately dependent on two suppliers of epoxy coating. A significant downturn in the business of one or more of these suppliers, a disruption in their manufacturing operations, an unwillingness to continue to sell to us, or a disruption in the availability of existing and new piling and rail products may adversely impact our financial results.

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

Most of our businesses utilize steel as a significant product component. The steel industry is cyclical and prices and availability are subject to these cycles as well as to international market forces. We also use significant amounts of cement and aggregate in our concrete railroad ties and our precast concrete products business. No assurances can be given that our financial results would not be adversely affected if prices or availability of these materials were to change in a significantly unfavorable manner.

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

Four of our manufacturing facilities are staffed by employees represented by labor unions. Approximately 146 employees employed at these facilities are currently working under three separate collective bargaining agreements. Disputes with regard to the terms of these agreements or our potential inability to renegotiate acceptable contracts with these unions could result in, among other things, strikes, work stoppages, slowdowns, or lockouts, which could cause a disruption of our operations and have a material adverse effect on our results of operations, financial condition, and liquidity.

Actions of activist shareholders could be disruptive and potentially costly and the possibility that activist shareholders may seek changes that conflict with our strategic direction could cause uncertainty about the strategic direction of our business.

In February 2016, the Company entered into an agreement with an activist investor, Legion Partners Asset Management, LLC and various of its affiliates (collectively, Legion Partners) that had filed a Schedule 13D with the SEC with respect to the Company. Pursuant to that agreement, the Company agreed to appoint a representative of Legion Partners to the Company s Board of Directors and Legion Partners agreed to various standstill provisions and to vote for the Company s director nominees at the Company s 2016 Annual Meeting of Shareholders. These provisions were extended through 2017 with the nomination of the Legion Partners representative to stand for re-election at the 2017 Annual Meeting of Shareholders.

Activist investors may attempt to effect changes in the Company s strategic direction and how the Company is governed, or to acquire control over the Company. Some investors seek to increase short-term shareholder value by advocating corporate actions such as financial restructuring, increased borrowing, special dividends, stock repurchases, or even sales of assets or the entire company. While the Company welcomes varying opinions from all shareholders, activist campaigns that contest or conflict with our strategic direction could have an adverse effect on the Company s results of operations and financial condition as responding to proxy contests and other actions by activist shareholders can disrupt our operations, be costly and time-consuming, and divert the attention of the Company s board and senior management from the pursuit of business strategies. In addition, perceived uncertainties as to our future direction as a result of changes to the composition of our Board may lead to the perception of a change in the direction of the business, instability or lack of continuity, which may be exploited by our competitors, may cause concern to our current or potential customers, may result in the loss of potential business opportunities and may make it more difficult to attract and retain qualified personnel and business partners. These types of actions could cause significant fluctuations in our stock price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

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Our success is highly dependent on the continued service and availability of qualified personnel.

Much of our future success depends on the continued availability and service of key personnel, including our Chief Executive Officer, the executive team, and other highly skilled employees. Changes in demographics, training requirements, and the availability of qualified personnel could negatively affect our ability to compete and lead to a reduction in our profitability.

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

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

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

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

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

ITEM 1B. ***UNRESOLVED STAFF COMMENTS***

None.

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ITEM 2. ***PROPERTIES***

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

Location	Function	Acres	Business Segment	Lease Expiration
Bedford, PA	Bridge component fabricating plant	16	Construction	Owned
Birmingham, AL	Protective coatings facility	32	Tubular and Energy	2017
Burnaby, British Columbia, Canada	Friction management products plant	N/A	Rail	2021
Channelview, TX	Threading, test, and inspection facility	73	Tubular and Energy	Owned
Columbia City, IN	Rail processing facility and yard storage	22	Rail	Owned
Hillsboro, TX	Precast concrete facility	9	Construction	Owned
Kimball, NE	Threading, test, and inspection facility	145	Tubular and Energy	Owned
Leming, TX	Threading, test, and inspection facility	63	Tubular and Energy	Owned
Magnolia, TX	Threading facility and joint venture manufacturing facility	35	Tubular and Energy	Owned
Morgantown, WV	Test, and inspection facility	N/A	Tubular and Energy	2018
Niles, OH	Rail fabrication, friction management products, and yard storage	35	Rail	Owned
Petersburg, VA	Piling storage facility	35	Construction	Owned
Pueblo, CO	Rail joint manufacturing	9	Rail	Owned
Saint-Jean-sur-Richelieu, Quebec, Canada	Rail anchors and track spikes manufacturing plant	17	Rail	Owned
Sheffield, United Kingdom	Track component and friction management products facility	N/A	Rail	2019
Spokane, WA	CXT concrete tie plant	13	Rail	2018
Spokane, WA	Precast concrete facility	5	Construction	2018
Waverly, WV	Precast concrete facility	85	Construction	Owned
Willis, TX	Protective coatings facility	16	Tubular and Energy	Owned
Willis, TX	Measurement services facility	68	Tubular and Energy	Owned

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

Including the properties listed above, the Company has a total of 26 sales offices, including its headquarters in Pittsburgh, PA and 32 warehouses, plants, and yard facilities located throughout the United States, Canada, and Europe. The Company s facilities are in good condition and suitable for the Company s business as currently conducted and as currently planned to be conducted.

ITEM 3. ***LEGAL PROCEEDINGS***

Information regarding the Company s legal proceedings and other commitments and contingencies is set forth in Part II, Item 8, Financial Statements and Supplementary Data, Note 19 Commitments and Contingent Liabilities, to the Consolidated Financial Statements included herein, which is incorporated by reference into this Item 3.

ITEM 4. ***MINE SAFETY DISCLOSURES***

This item is not applicable to the Company.

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PART II

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

Stock Market Information

(Dollars in thousands, except share data unless otherwise noted)

The Company had 320 common shareholders of record on February 17, 2017. Common stock prices are quoted daily through the NASDAQ Global Select Market quotation service (Symbol: FSTR). The following table sets forth the range of high and low sales prices per share of our common stock for the periods indicated:

	2016			2015		
Quarter	**High**	**Low**	**Dividends**	**High**	**Low**	**Dividends**
First	$ 18.53	$ 8.80	$ 0.04	$ 52.00	$ 37.00	$ 0.04
Second	20.77	10.12	0.04	47.97	33.96	0.04
Third	12.50	9.25	0.04	36.07	12.10	0.04
Fourth	15.65	9.25		16.66	10.10	0.04

Dividends

During the fourth quarter 2016, the Board of Directors agreed to suspend the Company s quarterly dividend.

The Company s November 7, 2016 credit facility permits it to pay dividends and distributions and make redemptions with respect to its stock providing no event of default or potential default (as defined in the facility agreement) has occurred prior to or after giving effect to the dividend, distribution, or redemption. Dividends, distributions, and redemptions are capped at $1,700 per year when funds are drawn on the facility.

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Performance Graph

The Company s peer group consists of Alamo Group, Inc., AM Castle & Co., American Railcar Industries, Inc., CIRCOR International, Inc., Columbus McKinnon Corporation, Gibraltar Industries, Inc., Houston Wire & Cable Company, Insteel Industries Inc., Lindsay Corporation, Lydall Inc., MYR Group, Inc., NN Inc., Northwest Pipe Co., Olympic Steel Inc., Orion Marine Group, Inc., Quanex Building Products Corporation, Raven Industries Inc., and Sterling Construction Co. Inc.

The following tables compare total shareholder returns for the Company over the last five years to the NASDAQ Composite Index and the peer groups assuming a $100 investment made on December 31, 2011. Each of the three measures of cumulative total return assumes reinvestment of dividends. The stock performance shown on the graph below is not necessarily indicative of future price performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among L.B. Foster Company, the NASDAQ Composite Index, and a Peer Group

* $100 invested on 12/31/11 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

	12/11	12/12	12/13	12/14	12/15	12/16
L.B. Foster Company	$100.00	$154.04	$168.15	$173.16	$49.07	$49.30
NASDAQ Composite	100.00	116.41	165.47	188.69	200.32	216.54
2016 Peer Group	100.00	117.68	165.18	148.33	124.45	176.97

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Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information at December 31, 2016 with respect to compensation plans under which equity securities of the Company are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted-average exercise price of outstanding options, warrants, and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities to be issued upon exercise of outstanding options, warrants, or rights) (c)
Equity compensation plans approved by shareholders	473,475 (1)	$ (2)	201,972 (3)
Equity compensation plans not approved by shareholders			
Total	473,475 (1)	$ (2)	201,972 (3)

(1) The number of performance share units included in this table reflects an assumed payout at maximum performance achievement. The performance share units were granted under the 2006 Omnibus Incentive Plan, and were unvested and unearned at December 31, 2016.
(2) At December 31, 2016, there were no outstanding awards with an exercise price per share. This column does not reflect outstanding performance share units.
(3) Does not include the 473,475 performance share units included in column (a).

Under the 2006 Omnibus Incentive Plan, since May 24, 2006, non-employee directors have been automatically awarded shares of the Company s common stock as determined by the Board of Directors at each annual shareholder meeting at which such non-employee director is elected or re-elected. During 2016, pursuant to the 2006 Omnibus Incentive Plan, the Company issued approximately 46,000 fully-vested shares of the Company common stock for the annual equity award. During 2016, the Company issued approximately 14,000 shares to certain non-employee directors who elected the option to receive fully-vested shares of the Company s common stock in lieu of director compensation. Through December 31, 2016, there were 184,240 fully vested shares issued under the 2006 Omnibus Incentive Plan to non-employee directors.

The Company grants eligible employees restricted stock and performance unit awards under the 2006 Incentive Omnibus Plan. The forfeitable restricted stock awards granted prior to March 2015 generally time-vest after a four-year period, and those granted in March 2015 generally time-vest ratably over a three-year period, unless indicated otherwise in the underlying restricted stock award agreement. Performance unit awards are offered annually under separate three-year long-term incentive plans. 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.

With respect to awards made prior to December 31, 2016, the Company will withhold or employees may tender shares of restricted stock when issued to pay for withholding taxes. During 2016, 2015, and 2014, the Company withheld 20,186, 25,340, and 21,676 shares, respectively, for this purpose. The values of the shares withheld were $275, $1,114, and $985 in 2016, 2015, and 2014, respectively. Awards made since January 1, 2017 provide that the Company will withholds shares of restricted stock to satisfy tax withholding obligations.

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Issuer Purchases of Equity Securities

The Company s purchases of equity securities for the three-month period ended December 31, 2016 were as follows:

	Total number of shares purchased (1)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (2)	Approximate dollar value of shares that may yet be purchased under the plans or programs
October 1, 2016 October 31, 2016		$		$ 29,933
November 1, 2016 November 30, 2016				29,933
December 1, 2016 December 31, 2016				29,933
Total		$		$ 29,933

(1) Reflects shares withheld by the Company to pay taxes upon vesting of restricted stock. These shares do not impact the remaining authorization to repurchase shares under approved plans or programs. No such shares were withheld during the three month period ending December 31, 2016.

(2) On December 9, 2015, the Board of Directors authorized the repurchase of up to $30,000 of the Company s common shares until December 31, 2017. This authorization became effective January 1, 2016. The $30,000 repurchase authorization is restricted under the terms of the Second Amendment to the Second Amended and Restated Credit Agreement dated March 13, 2015, and as amended by the Second Amendment dated November 7, 2016 (Second Amendment). Dividends, distributions, and redemptions under the Second Amendment are capped at a maximum annual amount of $1,700 throughout the life of the repurchase authorization.

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ITEM 6. ***SELECTED FINANCIAL DATA***
(Dollars in thousands, except per share data)

The following selected financial data has been derived from our audited financial statements. The financial data presented below should be read in conjunction with the information contained in Management s Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements of the Company and the Notes thereto included elsewhere in this Annual Report on Form 10-K.

	Year Ended December 31,				
Income Statement Data	**2016 (1)**	**2015 (2)**	**2014 (3)**	**2013 (4)**	**2012 (5)**
Net sales	$ 483,514	$ 624,523	$ 607,192	$ 597,963	$ 588,541
Operating (loss) profit (a)	$ (5,195)	$ 28,760	$ 37,082	$ 41,571	$ 22,657
(Loss) income from continuing operations, net of tax	$ (141,660)	$ (44,445)	$ 25,656	$ 29,290	$ 14,764
Income from discontinued operations, net of tax					1,424
Net (loss) income	$ (141,660)	$ (44,445)	$ 25,656	$ 29,290	$ 16,188
Basic (loss) earnings per common share:					
Continuing operations	$ (13.79)	$ (4.33)	$ 2.51	$ 2.88	$ 1.46
Discontinued operations					0.14
Basic (loss) earnings per common share	$ (13.79)	$ (4.33)	$ 2.51	$ 2.88	$ 1.60
Diluted (loss) earnings per common share:					
Continuing operations	$ (13.79)	$ (4.33)	$ 2.48	$ 2.85	$ 1.44
Discontinued operations					0.14
Diluted (loss) earnings per common share	$ (13.79)	$ (4.33)	$ 2.48	$ 2.85	$ 1.58
Dividends paid per common share	$ 0.12	$ 0.16	$ 0.13	$ 0.12	$ 0.10

(a) Operating (loss) profit represents the gross profit less selling and administrative expenses and amortization expense.
(1) 2016 includes long-lived tangible and intangible, including goodwill, asset impairments of $135,884. More information about the impairments can be found in Part II, Item 8, Financial Statements and Supplementary Data, Note 4 Goodwill and Other Intangible Assets, and Note 7 Property, Plant, and Equipment.
(2) 2015 includes the results of the acquisitions of TEW Plus, Ltd. (Tew Plus) (November 23), IOS Holdings, Inc (IOS) (March 13), and TEW Holdings, Ltd. (Tew) (January 13). The results also include an $80,337 impairment of goodwill related to the IOS and Chemtec reporting units. More information about the impairment can be found in Part II, Item 8, Financial Statements and Supplementary Data, Note 4 Goodwill and Other Intangible Assets.
(3) 2014 includes CXT Concrete Tie UPRR warranty charges of $9,374 within the Rail Products and Services segment. The 2014 results also include the acquisitions of Carr Concrete (July 7), FWO (October 29), and Chemtec (December 30).
(4) 2013 includes the acquisition of Ball Winch, (November 7).
(5) 2012 includes CXT Concrete Tie UPRR warranty charge of $22,000 within Rail Products and Services segment and a pre-tax gain of $3,193, from the dispositions of the SSD and Precise divisions, in income from discontinued operations, net of tax.

Balance Sheet Data	2016	2015	December 31, 2014	2013	2012
Total assets	$ 393,023	$ 566,660	$ 491,717	$ 413,193	$ 401,537
Working capital	117,273	122,828	135,488	171,603	179,838
Long-term debt	149,179	167,419	25,752	25	27
Stockholders equity	133,251	282,832	335,888	316,397	287,575

ITEM 7. ***MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS***
(Dollars in thousands, except share data unless otherwise noted)

Executive Level Overview

2016 Developments and 2017 Outlook

During 2016, we:

- Incurred a net loss of $141,660;
- Generated adjusted EBITDA (earnings before interest, taxes, depreciation, amortization, and impairment charges) of $18,530; (a)
- Managed working capital levels, resulting in $18,405 of net cash provided by operating activities;
- Reduced borrowings by $9,184;
- Restructured our workforce and operations by eliminating approximately $12,000 in annualized expenses;
- Successfully completed a $3,000 upgrade at our Birmingham coating facility allowing us to enhance our service capabilities;
- Implemented our new ERP system at two of our rail divisions;
- Reduced 2016 capital expenditures to $7,664 from $14,913 in 2015;
- Amended our credit agreement from a maximum capacity of $335,000 to $225,000, which includes a $30,000 term loan; and
- Accrued deferred income and withholding taxes of $7,932 on unremitted foreign earnings and recorded a valuation allowance of $29,719 against deferred tax assets.

(a) The following table displays a reconciliation of this non-GAAP measure for the three-year periods ended December 31, 2016, 2015 and 2014. EBITDA adjusted for the current and prior year asset impairments are financial metrics utilized by management to evaluate the

Company s performance on a comparable basis after excluding the non-cash impact of the 2016 and 2015 impairments and, accordingly, management believes that disclosure of this non-GAAP measure is useful to investors as an additional way to evaluate the Company s performance.

	Twelve Months Ended December 31,		
	2016	2015	2014
Adjusted EBITDA Reconciliation			
Net (loss) income	$ (141,660)	$ (44,445)	$ 25,656
Interest expense, net	6,323	4,172	(18)
Income tax (benefit) expense	(5,509)	(6,132)	13,404
Depreciation	13,917	14,429	7,882
Amortization	9,575	12,245	4,695
Total EBITDA	(117,354)	(19,731)	51,619
Asset impairments	135,884	80,337	
Adjusted EBITDA	$ 18,530	$ 60,606	$ 51,619

Throughout 2016, our markets indicated longer recovery horizons than we previously projected, which led to various of our businesses underperforming against projections. Our Rail Products and Services segment was negatively impacted by reduced spending in the North American freight rail market. Weak commodities markets translated into declining commodity carloads for rail carriers and created pricing pressure. Rail carloads were down throughout 2016 by the continuing energy industry shift away from coal to natural gas and declining rail shipments of crude oil and most other metals, ores, and agriculture products. Our rail distribution business has been particularly impacted as this division serves Class II railroads and the North American industrial rail market, which have experienced reduced project activity and pricing declines. Spending in 2017 by the large freight rail operators in North America is expected to further decline according to their public announcements. Bright spots exist in intermodal freight and shipments of passenger vehicles. The European market was also weak in 2016 as a result of reduced spending by our primary customer in the U.K., however, the outlook in the U.K. is more favorable for 2017. We have a broader set of automation solutions to offer customers with respect to passenger transit systems with the integration of the Tew business acquisitions into the Company.

Freight rail operators appear to be prioritizing spending against safety improvement, operating efficiency, and other cost reduction activities. The Company continues to target products and solutions to help improve safety and operating efficiency as well as introduce services that contribute to extending the useful life of certain rail equipment and lowering maintenance costs for operators. Freight rail operators are expected to benefit from the need for intermodal networks to efficiently ship goods.

Funding for transit rail projects in North America remained relatively solid throughout 2016. While our revenues from this market are always affected by swings in large projects from one year to the next, we continue to believe the transit market will grow over the long run, although year to year sequential growth may not be consistent. Management believes that the global transit market represents an attractive opportunity for future growth. By focusing on products that can improve safety and efficiency, as well as passenger comfort, we are attempting to partner with key end users and original equipment manufacturers (OEMs) to serve this market. In addition, we have a broader set of automation solutions to offer passenger transit systems. Our team of engineers continues its focus on assisting transit system operations improve infrastructure and lower cost.

While certain key steel price indexes have shown recent increases, pricing in the markets we serve has been slow to recover. Management enacted multiple strategies in an effort to maximize profit margins throughout the prolonged downturn in the North American freight rail market and in light of the loss of sales to the UPRR (from approximately $15,000 to $2,600). We believe our current cost structure in place at the beginning of 2017 is appropriate to achieve our 2017 projections. Should business activity be weaker than projected, we are prepared to make further adjustments.

The energy markets where our Tubular and Energy Services segment is focused faced difficult markets in 2016. The majority of our business is tied to investment in midstream pipeline infrastructure. As the midstream operators adjusted their capital spending plans, our orders declined, thereby reducing a significant amount of our backlog. While not as volatile as 2015, the midstream market conditions were challenging in 2016 as end users adjusted to prolonged lower oil prices and reacted to a changing climate around liquidity needs. We have exposure to the upstream drilling market and capital spending reductions by upstream operators caused by energy market weakness led us to take restructuring actions at both our upstream test and inspection services business and our precision measurement systems businesses.

It is our continued belief that there are widespread needs across the US for pipeline infrastructure in the long term, and new demand will be driven by already developed wells, future export potential, and transition from coal to natural gas plants. As a result of reduced capital spending across the energy industry and stable oil prices, U.S. crude oil production is expected to increase in 2017. With the North American rig counts recently increasing, our upstream test and inspection business ended the year with increasing sales and inquiry activity.

Within our Construction Products segment, heavy civil construction projects improved throughout 2016 and bridge spending remains strong. We entered 2017 with an improved backlog across all businesses within the segment. The Company did not perform well in other more commoditized piling products targeted at (or utilized in) heavy civil projects that became very price competitive due to declining steel prices. Throughout the year, lower scrap input prices and very low factory utilization rates kept steel prices very competitive. As a result, the Company did not participate in some of the typical projects we serve with pipe pile and H-pile, resulting in lower sales volumes and pricing.

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Factory utilization in the steel industry is expected to remain at depressed levels into 2017. Although commodity pricing has shown recent increases, there remains excess global capacity to provide supply for projects at very competitive prices. This industry is also being affected by the low oil and gas exploration and development as well as other industrial markets where the commodity cycle has led to pressure on costs and lower capital spending.

The precast concrete products business was a bright spot in 2016. The introduction of new products provided support for growth, particularly in the Southwest region of the U.S. We anticipate this market to grow at a slow pace, but we enter 2017 with increased backlog and improved order entry.

Management intends to stay focused on cost reduction actions and will continue to streamline operations and plant efficiency while prioritizing free cash flow generation. We incurred $1,921 of severance expense and other one-time charges in 2016 as we aligned our work force with current demand levels. With the majority of our restructuring activities completed in 2016, we are positioned to benefit as the markets we serve recover. Our long term objective is to continue the modernization of the entire Company with the ongoing implementation of our new ERP system from which we can grow and leverage best in class business processes.

UPRR Product Warranty Claim

On January 23, 2015, UPRR filed a Complaint and Demand for Jury Trial in the District Court for Douglas County, NE against the Company and its subsidiary, CXT, asserting, among other matters, that the Company breached its express warranty, breached an implied covenant of good faith and fair dealing, and anticipatorily repudiated its warranty obligations, and that UPRR s exclusive and limited remedy provisions in the supply agreement have failed of their essential purpose which entitles UPRR to recover all incidental and consequential damages. The Complaint seeks to cancel all duties of UPRR under the contract, to adjudge the Company as having no remaining rights under the contracts, and to recover damages in an amount to be determined at trial for the value of unfulfilled warranty replacement ties and ties likely to become warranty eligible, for costs of cover for replacement ties, and for various incidental and consequential damages. The amended 2005 supply agreement provides that UPRR s exclusive remedy is to receive a replacement tie that meets the contract specifications for each tie that failed to meet the contract specifications or otherwise contained a material defect provided that the Company receives written notice of such failure or defect within 15 years after that tie was produced. The amended 2005 supply agreement provides that the Company s warranty does not apply to ties that (a) have been repaired or altered without the Company s written consent in such a way as to affect the stability or reliability thereof, (b) have been subject to misuse, negligence, or accident, or (c) have been improperly maintained or used contrary to the specifications for which such ties were produced. The amended 2005 supply agreement also continues to provide that the Company s warranty is in lieu of all other express or implied warranties and that neither party shall be subject to or liable for any incidental or consequential damages to the other party. The dispute is largely based on (1) claims submitted that the Company believes are for ties claimed for warranty replacement that are inaccurately rated under concrete tie rating guidelines and procedures agreed to in 2012 and incorporated by amendment to the 2005 supply agreement and are not the responsibility of the Company and claims that do not meet the criteria of a warranty replacement and (2) UPRR s assertion, which the Company vigorously disputes, that UPRR in future years will be entitled to warranty replacement ties for virtually all of the Grand Island ties. Many thousands of Grand Island ties have been performing in track for over ten years. In addition, a significant amount of Grand Island ties were rated by both parties in the excellent category of the rating system.

By Second Amended Scheduling Order dated February 22, 2017, a March 30, 2018 deadline for the completion of fact discovery has been established wth trial to proceed at some future date after June 1, 2018. Through the date of this filing, the parties continued to conduct discovery. The Company intends to continue to engage in discussions in an effort to resolve the UPRR matter. However, we cannot predict that such discussions will be successful, or that the results of the litigation with UPRR, or any settlement or judgment amounts, will reasonably approximate our estimated accruals for loss contingencies. Future potential costs pertaining to UPRR s claims and the outcome of the UPRR litigation could result in a material adverse effect on our results of operations, financial condition, and cash flows.

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Year-to-date Results Comparison

The segment gross profit measures presented within the MD&A tables constitute non-GAAP financial measures disclosed by management to provide investors and other users information to evaluate the performance of the Company s segments on a more comparable basis to market trends and peers. The exclusion of significant cost allocations to the reportable segments:

Allows users to understand the operational performance of our reportable segments;

Provides greater comparability to other registrants with similar businesses and avoids possible non-comparability at the reportable segment pre-tax profit level resulting from our specific corporate cost allocations; and

Facilitates a clearer, market-based perspective on the strength or weakness of our reportable segments in their markets to better aid in investment decisions.

In addition, these non-GAAP financial measures have historically been key metrics utilized by segment managers to monitor selling prices and quantities as well as production and service costs to better evaluate key profitability drivers and trends that may develop due to industry and competitive conditions.

Twelve months ended December 31, 2016	Rail Products and Services	Construction Products	Tubular and Energy Services	Total
Reportable Segment Profit (Loss)	$ (26,228)	$ 8,189	$ (116,126)	$ (134,165)
Segment and Allocated Selling & Administrative	40,696	18,739	17,978	77,413
Amortization Expense	3,881	151	5,543	9,575
Asset Impairments	32,725		103,159	135,884
Non-GAAP Segment Gross Profit	$ 51,074	$ 27,079	$ 10,554	$ 88,707

Twelve months ended December 31, 2015	Rail Products and Services	Construction Products	Tubular and Energy Services	Total
Reportable Segment Profit (Loss)	$ 27,037	$ 12,958	$ (81,344)	$ (41,349)
Segment and Allocated Selling & Administrative	44,204	20,969	15,520	80,693
Amortization Expense	4,035	242	7,968	12,245
Asset Impairments			80,337	80,337
Non-GAAP Segment Gross Profit	$ 75,276	$ 34,169	$ 22,481	$ 131,926

Twelve months ended December 31, 2014	Rail Products and Services	Construction Products	Tubular and Energy Services	Total
Reportable Segment Profit	$ 30,093	$ 13,106	$ 5,350	$ 48,549
Segment and Allocated Selling & Administrative	44,643	18,844	4,621	68,108
Amortization Expense	2,499	441	1,751	4,691
Asset Impairments				
Non-GAAP Segment Gross Profit	$ 77,235	$ 32,391	$ 11,722	$ 121,348

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Results of Operations

	Twelve Months Ended December 31,			Percent of Total Net Sales Twelve Months Ended December 31,			Percent Increase/(Decrease)	
	2016	2015	2014	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Net Sales:								
Rail Products and Services	$ 239,127	$ 328,982	$ 374,615	49.5%	52.7%	61.7%	(27.3)%	(12.2)%
Construction Products	145,602	176,394	178,847	30.1	28.2	29.5	(17.5)	(1.4)
Tubular and Energy Services	98,785	119,147	53,730	20.4	19.1	8.8	(17.1)	121.8
Total net sales	$ 483,514	$ 624,523	$ 607,192	100.0%	100.0%	100.0%	(22.6)%	2.9%

	Twelve Months Ended December 31,			Non-GAAP / Reported Gross Profit Percentage Twelve Months Ended December 31,			Percent Increase/(Decrease)	
	2016	2015	2014	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Gross Profit:								
Non-GAAP Rail Products and Services	$ 51,074	$ 75,276	$ 77,235	21.4%	22.9%	20.6%	(32.2)%	(2.5)%
Non-GAAP Construction Products	27,079	34,169	32,391	18.6	19.4	18.1	(20.7)	5.5
Non-GAAP Tubular and Energy Services	10,554	22,481	11,722	10.7	18.9	21.8	(53.1)	91.8
Non-GAAP Segment gross profit	88,707	131,926	121,348					
LIFO income	2,643	2,468	738	0.5	0.4	0.1	7.1	**
Other	(994)	(741)	(495)	(0.2)	(0.1)	(0.1)	34.1	49.7
Total gross profit	$ 90,356	$ 133,653	$ 121,591	18.7%	21.4%	20.0%	(32.4)%	9.9%

	Twelve Months Ended December 31,			Percent of Total Net Sales Twelve Months Ended December 31,			Percent Increase/(Decrease)	
	2016	2015	2014	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Expenses:								
Selling and administrative expenses	$ 85,976	$ 92,648	$ 79,814	17.8%	14.8%	13.1%	(7.2)%	16.1%
Amortization expense	9,575	12,245	4,695	2.0	2.0	0.8	(21.8)	160.8
Asset impairments	135,884	80,337		28.1	12.9		69.1	
Interest expense	6,551	4,378	512	1.4	0.7	0.1	49.6	**
Interest income	(228)	(206)	(530)			(0.1)	10.7	(61.1)
Equity in loss (income) of nonconsolidated investments	1,290	413	(1,282)	0.3	0.1	(0.2)	212.3	(132.2)
Other income	(1,523)	(5,585)	(678)	(0.3)	(0.9)	(0.1)	(72.7)	**

Total expenses	$ 237,525	$ 184,230	$ 82,531	49.1%	29.5%	13.6%	28.9%	123.2%
(Loss) income before income taxes	$ (147,169)	$ (50,577)	$ 39,060	(30.4)%	(8.1)%	6.4%	191.0%	(229.5)%
Income tax (benefit) expense	(5,509)	(6,132)	13,404	(1.1)	(1.0)	2.2	**	(145.7)
Net (loss) income	$ (141,660)	$ (44,445)	$ 25,656	(29.3)%	(7.1)%	4.2%	218.7%	(273.2)%

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

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Fiscal 2016 Compared to Fiscal 2015 Company Analysis

Net sales of $483,514 for the year ended December 31, 2016 decreased by $141,009 or 22.6% compared to the prior year period. All segments reported overall year over year declines of 27.3%, 17.5% and 17.1% for Rail Products and Services, Construction Products and Tubular and Energy Services, respectively.

Gross profit margin for 2016 was 18.7%, or 271 basis points lower than the prior year. The current year margin was significantly impacted by the prolonged weakness in the oil and gas market and reduced activity in the rail market. Included in the 2016 gross profit was $2,643 related to the LIFO income compared to $2,468 in the prior year.

Selling and administrative expenses decreased by $6,672, or 7.2%, over the prior year period. The decrease was primarily attributable to cost reduction initiatives related to personnel and travel costs of $2,982, incentive compensation reductions of $3,777, prior year acquisition and integration costs of $1,212 and other strategic spending reductions of $4,024, which were partially offset by increased litigation related costs for the UPRR matter of $2,671, the fourth quarter employment claim settlement expense of $900, and other miscellaneous items including ERP costs totaling $1,799.

The Company recorded non-cash asset impairments of $135,884 during the year ended December 31, 2016. During the second quarter of 2016, the Company identified various indicators that suggested that there was a more likely than not probability that the carrying values of certain assets and reporting units were less than their respective fair values. The impairment indicators included a rapid deterioration in actual performance against forecasts, downward revisions in projected financial results, declines in the Company s market capitalization, and reductions in new order activity.

Asset groups that had indicators of impairment were analyzed to determine if the carrying values were recoverable. Based upon the recoverability assessment, the Company determined that certain intangible assets and property, plant, and equipment within the test and inspection services division and certain intangible assets within the Chemtec division were impaired. The impairment assessment was finalized during the three-month period ended September 30, 2016 resulting in a $59,786 definite-lived intangible asset impairment and a $14,956 property, plant, and equipment impairment that were recorded within the Tubular and Energy Services segment. The remaining asset groups tested for recoverability were substantially in excess of their respective carrying values.

The Company performed an interim goodwill impairment review as of June 1, 2016 as a result of the adverse effect on certain reporting units of reduced capital spending and cost reduction priorities that oil and gas developers and railroad customers have enacted as well as the indicators previously noted. The forecasts for the Chemtec, protective coatings, and Rail Technologies reporting units did not indicate a timely recovery to support the carrying values of the reporting units. Upon finalization of the interim impairment assessment during the three-month period ended September 30, 2016, the Company recognized a goodwill impairment of $61,142, which represented the full impairment of goodwill related to the Chemtec and protective coatings reporting units and approximately 68% of the Rail Technologies goodwill value. The estimated fair values of the remaining reporting units were substantially in excess of the carrying value of those reporting units.

Other income during the prior year was favorably impacted by the sale of assets at our Tucson, AZ facility resulting in a gain of $2,279, realized and unrealized foreign exchange gains totaling $1,616, and other less significant income items.

The Company s effective income tax rate for 2016 was 3.7%, compared to 12.1% in the prior year period. The Company accrued deferred U.S. income taxes and foreign withholding taxes of $7,932 in the current year, related to accumulated foreign earnings that management no longer intends to permanently reinvest outside of the United States. The Company also recorded a valuation allowance of $29,719 against deferred tax assets in the current year.

Net loss for the year ended December 31, 2016 was $141,660, or $13.79 per diluted share, compared to the net loss for the 2015 period of $44,445, or $4.33 per diluted share.

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Fiscal 2015 Compared to Fiscal 2014 Company Analysis

Net sales of $624,523 for the year ended December 31, 2015 increased by $17,331 or 2.9% compared to the 2014 period. Included within the 2015 sales are acquisition-related revenues of $93,411, which generated 20.9% margins. The sales increase was attributable to increases of 121.8% in Tubular and Energy Services, which were partially offset by decreases of 12.2% and 1.4% in Rail Products and Services and Construction Products segment sales, respectively.

Gross profit margin for 2015 was 21.4%, or 138 basis points higher than the prior year. The Rail Products and Services segment recognized warranty-related charges of $1,092 and $9,374 in 2015 and 2014, respectively. Included in the 2015 gross profit was $2,468 related to the LIFO income compared to $738 in the prior year. The favorable change in LIFO income primarily resulted from decreasing prices across our segments, as inventory levels in the aggregate were down slightly.

Selling and administrative expenses in 2015 increased by $12,834, or 16.1%, over the 2014 period. The cost increases for 2015 were attributable to costs from acquired businesses. Significant components of the acquired costs are personnel-related costs and to a much lesser extent insurance and travel costs.

During the third quarter of 2015, the Company recorded a non-cash goodwill impairment charge of $80,337 related to the IOS and Chemtec reporting units within the Tubular and Energy Services segment. The charge was primarily due to the impact of the depressed energy markets on both reporting units as well as the reduction in the active U.S. land oil rig count which specifically impacted the IOS reporting unit. These businesses were being adversely affected by reduced capital spending and cost reduction priorities that oil and gas developers and pipeline companies implemented. These factors led to a reduction in demand causing the near term financial projections of the IOS and Chemtec reporting units to deteriorate. The Company performed an interim test for impairment of goodwill, and the long-term forecast did not indicate a timely recovery to support the carrying values of the goodwill, as further described in Part II, Item 8, Financial Statements and Supplementary Data, Note 4 Goodwill and Other Intangible Assets, of this Annual Report on Form 10-K.

Other income during 2015 was favorably impacted by the sale of assets at our Tucson, AZ facility resulting in a gain of $2,279, realized and unrealized foreign exchange gains totaling $1,616, and other less significant income items.

The Company s effective income tax rate for 2015 was 12.1%, compared to 34.3% in the prior year period. The Company s effective income tax rate for 2015 differed from the federal statutory rate of 35% primarily due to the discrete impact of the $80,337 goodwill impairment in the third quarter. The impairment related to both tax deductible and nondeductible goodwill, and resulted in an income tax benefit of $16,450 during 2015.

Net loss for the year ended December 31, 2015 was $44,445, or $4.33 per diluted share, which compares to net income for the 2014 period of $25,656, or $2.48 per diluted share. Excluding the 2015 impairment charge of $63,887, net of income tax benefit, net income would have been $19,442 or $1.88 per diluted share. This non-GAAP net income measure is inclusive of approximately 75,000 shares that were anti-dilutive on a GAAP basis.

Results of Operations Segment Analysis

Rail Products and Services

	Twelve Months Ended December 31,						Percent
				Decrease	(Decrease) Increase	Percent Decrease	(Decrease) Increase
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014	2016 vs. 2015	2015 vs. 2014
Net Sales	$ 239,127	$ 328,982	$ 374,615	$ (89,855)	$ (45,633)	(27.3)%	(12.2)%
Segment (Loss) Profit	$ (26,228)	$ 27,037	$ 30,093	$ (53,265)	$ (3,056)	(197.0)%	(10.2)%
Non-GAAP Gross Profit	$ 51,074	$ 75,276	$ 77,235	$ (24,202)	$ (1,959)	(32.2)%	(2.5)%
	21.4%	22.9%	20.6%	(1.5)%	2.3%	(6.6)%	11.2%

Non-GAAP Gross Profit
Percentage

Fiscal 2016 Compared to Fiscal 2015

Rail Products and Services segment sales decreased $89,855, or 27.3%, compared to the prior year period. For 2016, our rail distribution business accounted for approximately 47.9% of the decrease. This division serves Class II freight, rail and transit railroads and the North American industrial rail market, which have experienced price and project declines. All rail divisions experienced reductions in sales over the prior year period attributable to continued weakness in the North American freight rail market in both commodity carloads as well as intermodal rail traffic. Additionally, due to the ongoing litigation with UPRR, our rail divisions experienced a decline in sales to UPRR of approximately $12,600.

The Rail Products and Services segment loss for 2016 was $26,244, and a margin of (11.0%) compared to segment profit of $27,037, and a margin of 8.2% for 2015. The reduction was primarily attributable to the $32,725 goodwill impairment related to the Rail Technologies reporting unit along with reductions in gross profit due to the lower sales volumes. The non-GAAP gross profit decreased by $24,202, or 32.2%, and the corresponding margin decreased by 150 basis points principally attributable to declines in Rail Technologies and precast concrete tie margins, which was negatively impacted by reduced volumes and the related deleveraging of the businesses. Our transit products business also was negatively impacted by a $1,224 pretax warranty charge related to a transit products project.

During 2016, the Rail Products and Services segment had a reduction in new orders of 23.9% compared to the prior year. The rail distribution and precast concrete tie businesses represented 31.4% of the current year decline and all other rail divisions experienced double digit declines relative to the prior year due to reductions in rail capital spending.

Fiscal 2015 Compared to Fiscal 2014

Rail Products and Services segment sales decreased $45,633, or 12.2%, compared to the 2014 period. Included within the 2015 sales were revenues from acquired businesses of $16,715. During fiscal 2015, excluding an increase within the Transit Products business, all rail divisions experienced reductions in sales over the prior year period. The sales decline was attributable to the loss of sales to UPRR, lower volumes from Rail Distribution and various track component businesses, international declines in the Rail Technologies division, and, to a lesser extent, reductions in the price of steel.

During the year ended December 31, 2015, the Rail Products and Services segment had a reduction in new orders of 16.5% compared to the prior year period. Contributing to the decline was the loss of business with UPRR, which represented 55.2% of the reduction in new orders, as well as overall reductions in freight rail spending.

The Rail Products and Services segment increased its 2015 gross profit margin of 8.2% by 18 basis points over 2014 of 8.0%. The Rail Products and Services segment increased its 2015 non-GAAP gross profit margin by 226 basis points compared to fiscal 2014. Non-GAAP gross profit was impacted by warranty-related charges of $1,092, and $9,374 in 2015 and 2014, respectively. Excluding the impact of the charges in 2015 and 2014, the non-GAAP gross profit margin was 23.2%, or 9 basis points higher than the prior year.

Construction Products

	Twelve Months Ended December 31,						
	2016	2015	2014	Decrease 2016 vs. 2015	(Decrease) Increase 2015 vs. 2014	Percent Decrease 2016 vs. 2015	Percent (Decrease) Increase 2015 vs. 2014
Net Sales	$ 145,602	$ 176,394	$ 178,847	$ (30,792)	$ (2,453)	(17.5)%	(1.4)%
Segment Profit	$ 8,189	$ 12,958	$ 13,106	$ (4,769)	$ (148)	(36.8)%	(1.1)%
Non-GAAP Gross Profit	$ 27,079	$ 34,169	$ 32,391	$ (7,090)	$ 1,778	(20.7)%	5.5%
Non-GAAP Gross Profit Percentage	18.6%	19.4%	18.1%	(0.8)%	1.3%	(4.1)%	7.2%

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Fiscal 2016 Compared to Fiscal 2015

Construction Products segment sales decreased $30,792, or 17.5%, compared to the prior year period. The piling division represented $24,319 of the reduction and fabricated bridge sales represented $8,943, which were both attributable to fewer large project opportunities in the market as compared to the prior year period as well as increased competition leading to fewer project wins. Throughout the year, lower scrap input prices and very low factory utilization rates kept steel prices very competitive. As a result, the Company did not participate in some of the typical projects we serve with pipe pile and H-pile, resulting in lower sales volumes and pricing. Partially offsetting these declines were increased precast concrete product sales.

The Construction Products segment profit of $8,189 declined by $4,769 compared to the prior year as a result of reduced gross profit attributable to lower sales volumes. The non-GAAP gross profit decreased by $7,090, or 20.7%, due to reductions in piling products and fabricated bridge gross profit as a result of the decline in volumes.

For 2016, the Construction Products segment had a 10.1% increase in new orders compared to the prior year period. The increase relates to significant project wins within the fabricated bridge business, and to a lesser extent, precast concrete products.

Fiscal 2015 Compared to Fiscal 2014

Construction Products segment sales decreased $2,453, or 1.4%, compared to the 2014 period. The decline was primarily related to a 14.7% reduction in sales of piling products, which was partially offset by a 43.0% increase in sales of precast construction products. The precast construction products business is experiencing very strong building sales to state governments, which helped the Construction Products segment offset the increased competition and steel pricing pressures impacting the Piling Products business.

New orders booked during 2015 were down 19.0% over the prior year period. The decline related primarily to the Piling Products business where heavy competition has led to a reduction in market share for pipe piling and H-piling.

As compared to the 2015 gross profit margin increase of two basis points over 2014, the 2015 non-GAAP gross profit percentage increased by 126 basis points due to non-GAAP gross margin improvements in piling and fabricated bridge products divisions. The improvement was primarily driven by the sales mix caused by an increase in sheet piling sales within the Piling Products business.

Tubular and Energy Services

	Twelve Months Ended December 31,						
	2016	2015	2014	Decrease 2016 vs. 2015	Increase (Decrease) 2015 vs. 2014	Percent Decrease 2016 vs. 2015	Percent Increase (Decrease) 2015 vs. 2014
Net Sales	$ 98,785	$ 119,147	$ 53,730	$ (20,362)	$ 65,417	(17.1)%	121.8%
Segment (Loss) Profit	$ (116,126)	$ (81,344)	$ 5,350	$ (34,782)	$ (86,694)	(42.8)%	(1,620.4)%
Non-GAAP Gross Profit	$ 10,554	$ 22,481	$ 11,722	$ (11,927)	$ 10,759	(53.1)%	91.8%
Non-GAAP Gross Profit Percentage	10.7%	18.9%	21.8%	(8.2)%	(2.9)%	(43.4)%	(13.3)%

Fiscal 2016 Compared to Fiscal 2015

Tubular and Energy Services segment sales decreased $20,362, or 17.1%, compared to the prior year period. The decrease related primarily to $15,141 from test and inspection services and $10,488 from protective coatings partially offset by an increase of $6,782 related to precision measurement products.

Tubular and Energy Services segment loss increased 42.8% to $116,126 in 2016 compared to a loss of $81,344 in 2015. The margin for this segment also decreased 492 basis points to (117.5%) compared to

(68.3%) in the prior year period. The losses were largely attributable to impairments of $103,176 and $80,337 for 2016 and 2015, respectively. The non-GAAP gross profit declined by $11,927, or 53.1%, which was negatively impacted by our test and inspection and protective coatings businesses. Despite improved volumes during the 2016 fourth quarter, our test and inspection services business was negatively impacted by the weakness in the upstream oil and gas market, where demand levels remained low, leading to heightened competition and reductions in service prices. Similarly, protective coatings sales declined significantly beginning in the third quarter 2016, which led to a temporary idling of the Birmingham facility. The facility has restarted operations in early October 2016. Non-GAAP gross profit was also negatively impacted by precision measurement system sales which produced lower margins due to competitive pressures as a result of the depressed midstream oil and gas market.

The Tubular and Energy Services segment had a reduction in new orders of 36.7% compared to the prior year period. Orders were down due to a reduction in midstream oil and gas new project lettings, with our protective coatings division reporting a 56.7% decline.

Fiscal 2015 Compared to Fiscal 2014

Tubular and Energy Services segment sales increased $65,417, or 121.8%, compared to the 2014 period. The increase relates to revenues from acquired businesses of $71,954, which were partially offset by reductions of $6,537 in protective coatings and threaded product sales. Our Tubular and Energy Services gross margins decreased to (68.3%) in 2015 compared to 10.0% in 2014 and the related 294 basis point decline in non-GAAP gross margins was largely due to acquired businesses and the related impact on sales mix. In addition to the new product mix, the divisions serving the upstream energy market are competing in the depressed oil and gas market which is experiencing less demand leading to a more challenging pricing environment.

The Tubular and Energy Services segment generated an increase in new orders of 160.7% compared to the 2014 period principally due to orders from the acquisitions of Chemtec and IOS.

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Liquidity and Capital Resources

Total debt at December 31, 2016 and 2015 was $159,565 and $168,754, respectively, and was primarily comprised of borrowings on the revolving credit facility and the 2016 term loan.

Our need for liquidity relates primarily to working capital requirements for operating activities, debt service payments, capital expenditures, and JV capital obligations.

The change in cash and cash equivalents for the three-year periods ended December 31 are as follows:

	2016	2015	2014
Net cash provided by operating activities	$ 18,405	$ 56,172	$ 66,739
Net cash used by investing activities	(7,930)	(205,575)	(97,751)
Net cash (used) provided by financing activities	(12,519)	134,289	22,055
Effect of exchange rate changes on cash and cash equivalents	(905)	(3,598)	(3,642)
Net decrease in cash and cash equivalents	$ (2,949)	$ (18,712)	$ (12,599)

Cash Flows from Operating Activities

During the year ended December 31, 2016, net cash provided by operating activities was $18,405 compared to $56,172 during the prior year period. For the twelve months ended December 31, 2016, income and adjustments to income from operating activities provided $24,261 compared to $47,061 in 2015. Working capital and other assets and liabilities used $5,856 in the current period compared to providing $9,111 during 2015.

The Company s calculation of days sales outstanding at December 31, 2016 was 53 days compared to 56 days at December 31, 2015. We believe our receivables portfolio is strong.

During the 2015 period, net cash provided by operating activities provided $56,172, a decrease of $10,567, compared to the 2014 period. For the year ended December 31, 2015, income and adjustments to income from operating activities provided $47,061 compared to $37,359 in 2014. Working capital and other assets and liabilities provided $9,111 in 2015 compared to providing $29,380 in 2014. The reduction in cash flows from operations was largely impacted by working capital movement.

Cash Flows from Investing Activities

Capital expenditures for the year ended December 31, 2016 were $7,664, a decrease of $7,249, compared to 2015 of $14,913. The current year expenditures related primarily to the Birmingham, AL inside diameter coating line upgrade and application development of the Company s new enterprise resource planning system. The Company received proceeds of $969 related to the sale of assets and loaned $1,235 to its LB Pipe JV. Expenditures for the year ended December 31, 2015 related primarily to upgrades to the outside diameter coating line of the Birmingham, AL coating facility as well as general plant and yard improvements across each segment.

During 2015, the Company acquired Tew Plus, Ltd. (Tew Plus), Tew Holdings, Ltd. (Tew) and IOS. The total purchase price of these acquisitions, net of cash acquired, was $196,001 as of December 31, 2015. Investing activities during 2015 included capital expenditures of $14,913. The 2015 expenditures related primarily to the Birmingham, AL protective coatings facility upgrades, application development of a new enterprise resource planning system, and general plant and yard improvements across each segment. Other investing activities related to cash proceeds of $5,339 from the sale of assets. The sale of the Tucson, AZ concrete tie facility contributed $2,750 of the total proceeds.

The primary investing activity in 2014 related to a cash use of $80,302 for the acquisitions of Chemtec, Carr Concrete, and FWO as well a $495 working capital distribution related to the 2013 acquisition of Ball Winch. Capital expenditures of $17,056 related to improvements to our machinery and equipment across each segment, strategic land acquisitions to increase production capacity, leasehold improvements, and plant upgrades at our Birmingham, AL facility.

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Cash Flows from Financing Activities

During the year ended December 31, 2016, the Company reduced outstanding debt by approximately $9,184, primarily from operational cash flows. The Company also paid $1,407 in financing fees related to our 2016 credit agreement amendments. During the 2015 period, the Company had an increase in outstanding debt of approximately $142,326, primarily related to drawings against the revolving credit facility to fund domestic acquisition activity.

The Company withheld 20,186 shares for approximately $275 for the twelve-month period ended December 31, 2016 compared to withholding 25,340 shares for approximately $1,114 in the 2015 period. The shares were withheld from employees to pay their withholding taxes in connection with the vesting of restricted stock awards. Cash outflows related to dividends were $1,244 and $1,656 for the periods ended December 31, 2016 and 2015, respectively. Lastly, for the years ended December 31, 2016 and 2015, the Company purchased 5,000 and 80,512 shares of common stock for $67 and $1,587, respectively, under our existing share repurchase authorization.

The primary financing activity during 2014 related to the receipt of proceeds from our revolving credit facility of $24,200. Additionally, we paid dividends of $0.04 per share during the fourth quarter of 2014 and $0.03 per share during each of the prior three quarters of 2014. The Company withheld 21,676 shares to pay employee withholding taxes in connection with the vesting of restricted stock awards for approximately $985.

Financial Condition

On November 7, 2016, the Company, its domestic subsidiaries, and certain of its Canadian subsidiaries entered into the Second Amendment (the Second Amendment) to the Second Amended and Restated Credit Agreement dated March 13, 2015 and as amended by the First Amendment dated June 29, 2016 (the Amended and Restated Credit Agreement), with PNC Bank, N.A., Bank of America, N.A., Wells Fargo Bank, N.A., Citizens Bank of Pennsylvania, and Branch Banking and Trust Company. This Second Amendment modified the Amended and Restated Credit Agreement which had a maximum revolving credit line of $275,000. The Second Amendment reduced the permitted revolving credit borrowings to $195,000 and provides for additional term loan borrowing of $30,000. The term loan is subject to quarterly straight line amortization until fully paid off upon the final payment on January 1, 2020. Furthermore, certain matters, including excess cash flow, asset sales, and equity issuances, trigger mandatory prepayments to the Term Loan. Term Loan borrowings will not be available to draw upon once they have been repaid. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Second Amendment or Amended and Restated Credit Agreement, as applicable.

The Second Amendment further provides for modifications to the financial covenants as defined in the Amended and Restated Credit Agreement. The Second Amendment calls for the elimination of the Maximum Leverage Ratio covenant through the quarter ended June 30, 2018. After that period, the Maximum Gross Leverage Ratio covenant will be reinstated to require a maximum ratio of 4.25 Consolidated Indebtedness to 1.00 Gross Leverage for the quarter ended September 30, 2018, and 3.75 to 1.00 for all periods thereafter until the maturity date of the credit facility. The Second Amendment also includes a Minimum Last Twelve Months EBITDA (as defined by the Amendment) covenant (Minimum EBITDA). For the quarter ending December 31, 2016 through the quarter ending June 30, 2017, the Minimum EBITDA must be at least $18,500. During 2016, the EBITDA calculation as defined by the Amended and Restated Credit Agreement was $23,561. For each quarter thereafter, through the quarter ended June 30, 2018, the Minimum EBITDA requirement will increase by various increments. At June 30, 2018, the Minimum EBITDA requirement will be $31,000. After the quarter ended June 30, 2018, the Minimum EBITDA covenant will be eliminated through the maturity of the credit agreement. The Second Amendment also includes a Minimum Fixed Charge Coverage Ratio covenant. The covenant represents the ratio of the Company s fixed charges to the last twelve months of EBITDA, and is required to be a minimum of 1.00 to 1.00 through the quarter ended December 31, 2017 and 1.25 to 1.00 for each quarter thereafter through the maturity of the credit facility. The final financial covenant included in the Second Amendment is a Minimum Liquidity covenant which calls for a minimum of $25,000 in undrawn availability on the revolving credit loan at all times through the quarter ended June 30, 2018.

The Second Amendment includes several changes to certain non-financial covenants as defined in the Credit Agreement. Through the maturity date of the loan, the Company is now prohibited from making any future

acquisitions. The limitation on permitted annual distributions of dividends or redemptions of the Company s stock has been decreased from $4,000 to $1,700. The aggregate limitation on loans to and investments in non-loan parties was decreased from $10,000 to $5,000. Furthermore, the limitation on asset sales has been decreased from $25,000 annually with a carryover of up to $15,000 from the prior year to $25,000 in the aggregate through the maturity date of the credit facility.

The Second Amendment provides for the elimination of the three lowest tiers of the pricing grid that had previously been defined in the First Amendment. Upon execution of the Second Amendment through the quarter ended March 31, 2018, the Company will be locked into the highest tier of the pricing grid which provides for pricing of the prime rate plus 225 basis points on base rate loans and the applicable LIBOR rate plus 325 basis points on euro rate loans. For each quarter after March 31, 2018 and through the maturity date of the credit facility, the Company s position on the pricing grid will be governed by a Minimum Net Leverage ratio which is the ratio of Consolidated Indebtedness less cash on hand in excess of $15,000 to EBITDA. If, after March 31, 2018 the Minimum Net Leverage ratio positions the Company on the lowest tier of the pricing grid, pricing will be the prime rate plus 150 basis points on base rate loans or the applicable LIBOR rate plus 250 basis points on euro rate loans.

The Company generated $18,405 from cash flows from operations during 2016 that was utilized to fund capital expenditures and make payments against our revolving credit facility. At December 31, 2016, we had $30,363 in cash and cash equivalents and $67,502 of availability under the Second Amendment to the Second Amended and Restated Credit Agreement while carrying $159,565 in total debt. We believe this liquidity will provide adequate flexibility to operate the business in a prudent manner, continue to service our revolving debt facility, and weather a continued downturn in our markets.

Our cash balances are held in various locations throughout the world, with substantially all of those amounts held outside the U.S. Under current law, the foreign cash would be subject to U.S. federal income taxes less applicable foreign tax credits upon repatriation.

During 2015, the Company utilized non-domestic funds totaling $28,597 for the acquisitions of Tew and Tew Plus.

At December 31, 2016, the Company was in compliance with the covenants in the Second Amendment.

To reduce the impact of interest rate changes on outstanding variable-rate debt, the Company entered into forward starting LIBOR-based interest rate swaps with notional values totaling $50,000. The swaps became effective in February 2017 and effectively converted a portion of the debt from variable to fixed-rate borrowings during the term of the swap contracts.

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Tabular Disclosure of Contractual Obligations

A summary of the Company s required payments under financial instruments and other commitments at December 31, 2016 are presented in the following table:

	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Contractual Cash Obligations					
Revolving credit facility (1)	$ 127,073	$	$	$ 127,073	$
Term Loan (1)	30,000	9,231	18,462	2,307	
Interest	21,977	7,454	13,340	1,183	
Other debt	2,492	1,159	1,093	240	
Pension plan contributions	243	243			
Operating leases	19,117	4,292	4,992	3,295	6,538
Purchase obligations not reflected in the financial statements	32,813	32,813			
Total contractual cash obligations	$ 233,715	$ 55,192	$ 37,887	$ 134,098	$ 6,538
Other Financial Commitments					
Standby letters of credit	$ 425	$ 425	$	$	$

(1) Repayments of outstanding loan balances are disclosed in Note 10 Long-Term Debt and Related Matters, of the Notes to Consolidated Financial Statements included in Part II, Item 8, Financial Statements and Supplementary Data of this report.

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

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

Off-Balance Sheet Arrangements

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

Backlog

Although backlog is not necessarily indicative of future operating results, the following table provides the backlog by business segment:

		Backlog	
	December 31, 2016	December 31, 2015	December 31, 2014
Rail Products and Services	$ 62,743	$ 85,199	$ 104,821
Construction Products	71,954	45,371	65,843
Tubular and Energy Services	12,759	34,137	13,686
Total Backlog	$ 147,456	$ 164,707	$ 184,350

While a considerable portion of our business is backlog driven, certain businesses, including the test and inspection services and the Rail Technologies business, are not driven by backlog and therefore have insignificant levels throughout the year.

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Critical Accounting Policies and Estimates

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States. When more than one accounting principle, or the method of its application, is generally accepted, management selects the principle or method that is appropriate in the Company s specific circumstance. Application of these accounting principles requires management to make estimates that affect the reported amount of assets, liabilities, revenues, and expenses, and the related disclosure of contingent assets and liabilities. The following critical accounting policies relate to the Company s more significant judgments and estimates used in the preparation of its consolidated financial statements. There can be no assurance that actual results will not differ from those estimates. For a summary of our significant accounting policies, including those discussed below, see Part II, Item 8, Financial Statements and Supplementary Data, Note 1 to the Consolidated Financial Statements.

Revenue Recognition The Company s revenues are comprised of product and service sales as well as products and services provided under long-term contracts. For product and service sales, the Company recognizes revenue when the following criteria have been satisfied: persuasive evidence of a sales arrangement exists; product delivery and transfer of title to the customer has occurred or services have been rendered; the price is fixed or determinable; and collectability is reasonably assured. Generally, product title passes to the customer upon shipment. In limited cases, title does not transfer and revenue is not recognized until the customer has received the products at its physical location. Revenue is recorded net of returns, allowances, customer discounts, and incentives. Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net (excluded from revenues) basis. Shipping and handling costs are included in cost of goods sold.

Revenues for products under long-term contracts are recognized using the percentage-of-completion method. Sales and gross profit are recognized as work is performed based upon the proportion of actual costs incurred to estimated total project costs. Sales and gross profit are adjusted prospectively for revisions in estimated total project costs and contract values. For certain products, the percentage-of-completion is based upon actual labor costs as a percentage of estimated total labor costs. At the time a loss contract becomes known, the entire amount of the estimated loss is recognized in the Consolidated Statement of Operations.

Revenue recognition involves judgments, including assessments of expected returns, the likelihood of nonpayment, and estimates of expected costs and profits on long-term contracts. In determining when to recognize revenue, we analyze various factors, including the specifics of the transaction, historical experience, creditworthiness of the customer, and current market and economic conditions. Changes in judgments on these factors could impact the timing and amount of revenue recognized with a resulting impact on the timing and amount of associated income.

Business Combinations, Goodwill, and Intangible Assets We account for acquired businesses using the acquisition method of accounting, which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective estimated fair values. The cost to acquire a business is allocated to the underlying net assets of the acquired business based on estimates of their respective fair values. The purchase price allocation process requires management to make significant estimates and assumptions, especially at the acquisition date with respect to intangible assets. Although we believe the assumptions and estimates we have made are reasonable, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Examples of critical estimates in valuing certain of the intangible assets we have acquired or may acquire in the future include but are not limited to: future expected cash flows from customer relationships, the acquired company s trade name and trademarks as well as assumptions about the period of time the acquired trade name and trademarks will continue to be used in the combined company s product portfolio, future expected cash flows from developed technology and discount rates. Unanticipated events and circumstances may occur which may affect the accuracy or validity of such assumptions, estimates, or actual results.

Intangible assets are amortized over the expected life of the asset. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. The judgments made in determining the estimated fair values assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact our results of operations. Fair values and useful lives are determined based on, among other

factors, the expected future period of benefit of the asset, the various characteristics of the asset, and projected cash flows. Because this process involves management making estimates with respect to future revenues and market conditions and because these estimates also form the basis for the determination of whether or not an impairment charge should be recorded, these estimates are considered to be critical accounting estimates.

Goodwill is required to be tested for impairment at least annually. The Company performs its annual impairment test as of October 1st or more frequently when indicators of impairment are present. The goodwill impairment test involves comparing the fair value of a reporting unit to its carrying value, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, a second step is required to measure the goodwill impairment loss. This step compares the implied fair value of the reporting unit s goodwill to the carrying amount of that goodwill. If the carrying amount of the goodwill exceeds the implied fair value of the goodwill, an impairment loss equal to the excess is recorded as a component of operations. The Company uses a combination of a discounted cash flow model (DCF model) and a market approach to determine the current fair values of the reporting units. A number of significant assumptions and estimates are involved in the application of the DCF model to forecast operating cash flows, including markets and market share, sales volume and pricing, costs to produce, and working capital changes. In times of adverse economic conditions in the global economy, the Company s long-term cash flow projections are subject to a greater degree of uncertainty than usual. If we had established different reporting units or utilized different valuation methodologies or assumptions, the impairment test results could differ, and we could be required to record impairment charges.

The Company considers historical experience and available information at the time the fair values of its reporting units are estimated. However, actual amounts realized may differ from those used to evaluate the impairment of goodwill. If actual results are not consistent with our assumptions and judgments used in estimating future cash flows and asset fair values, the Company may be exposed to impairment losses that could be material to our results of operations.

The Company recorded goodwill impairment charges of $61,142 and $80,337 during 2016 and 2015, respectively, related to reporting units within the Tubular and Energy Services and Rail Products and Services segment. There were no goodwill impairments recorded during the year ended December 31, 2014. Additional information concerning the impairments is set forth in Part II, Item 8, Financial Statements and Supplementary Data, Note 4 Goodwill and Other Intangible Assets, to the Consolidated Financial Statements included herein, which is incorporated by reference into this Item 7.

Intangible Assets, Long-Lived Assets, and Investments The Company is required to test for asset impairment whenever events or changes in circumstances indicate that the carrying value of an asset might not be recoverable. Once a triggering event has occurred, the impairment test employed is based on whether the intent is to hold the asset for continued use or to hold the asset for sale. The applicable guidance for assets held for use requires that, if the sum of the future expected cash flows associated with an asset, undiscounted and without interest charges, is less than the carrying value, an asset impairment must be recognized in the financial statements. The amount of the impairment is the difference between the fair value of the asset and the carrying value of the asset. For assets held for sale, to the extent the carrying value is greater than the asset s fair value less costs to sell, an impairment loss is recognized for the difference. The accounting estimate related to asset impairments is highly susceptible to change from period to period because it requires management to make assumptions about the existence of impairment indicators and cash flows over future years. These assumptions impact the amount of an impairment, which would have an impact on the Consolidated Statements of Operations.

The fair value of the Company s equity investments is dependent on the performance of the investee companies as well as volatility inherent in the external markets for these investments. In assessing potential impairment of these investments, we consider these factors as well as the forecasted financial performance of the investees. If these forecasts are not met and indicate an other-than-temporary decline in value, impairment charges may be required.

The Company recorded definite-lived intangible asset impairments of $59,786 and property, plant and equipment impairment of $14,956 for the year ended December 31, 2016. The impairments related to the Tubular and Energy Services segment. There were no material impairments of intangible assets, long-lived assets, or investments for the years ended December 31, 2015 or 2014.

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Product Warranty The Company maintains a current warranty for the repair or replacement of defective products. For certain manufactured products, an accrual is made on a monthly basis as a percentage of cost of sales. For long-term construction projects, a product warranty accrual is established when the claim is known and quantifiable. The product warranty accrual is periodically adjusted based on the identification or resolution of known individual product warranty claims. The underlying assumptions used to calculate the product warranty accrual can change from period to period and are dependent upon estimates of the amount and cost of future product repairs or replacements.

At December 31, 2016 and 2015, the product warranty reserve was $10,154 and $8,755, respectively. During the years ended December 31, 2016, 2015, and 2014, the Company recorded product warranty expense of $2,524, $1,794, and $10,957, respectively. For additional information regarding the Company s product warranty, refer to Part II, Item 8, Financial Statements and Supplementary Data, Note 19 to the Consolidated Financial Statements, Commitments and Contingent Liabilities, included herein.

Contingencies and Litigation The preparation of consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and also affect the amounts of revenues and expenses reported for each period.

In the ordinary course of business, various legal and regulatory claims and proceedings are pending or threatened against the Company. When a probable, estimable exposure exists, the Company accrues an estimate of the probable costs for the resolution of these matters. These estimates are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. During 2016, we recorded $900 in legal expense related to the anticipated settlement of an employment dispute. There were no such charges for the years ended December 31, 2015 and 2014. Future results of operations could be materially affected by changes in our assumptions or the outcome of these proceedings.

The Company s operations are subject to national, state, foreign, and/or local laws and regulations that impose limitations and prohibitions on the discharge and emission of, and establish standards for the use, disposal, and management of, regulated materials and waste. These regulations impose liability for the costs of investigation, remediation, and damages resulting from present and past spills, disposals, or other releases of hazardous substances or materials. Liabilities are recorded when remediation efforts are probable and the costs can be reasonably estimated. Estimates are not reduced by potential claims for recovery. Claims for recovery are recognized as agreements are reached with third parties or as amounts are received. Established reserves are periodically reviewed and adjusted to reflect current remediation progress, prospective estimates of required activity, and other factors that may be relevant, including changes in technology or regulations.

Refer to Part II, Item 8, Financial Statements and Supplementary Data, Note 19 Commitments and Contingent Liabilities, to the Consolidated Financial Statements for additional information regarding the Company s commitments and contingent liabilities.

Income Taxes The recognition of deferred tax assets requires management to make judgments regarding the future realization of these assets. As prescribed by Financial Accounting Standard s Board (FASB) Accounting Standards Codification (ASC) 740, Income Taxes, valuation allowances must be provided for those deferred tax assets for which it is more likely than not (a likelihood of more than 50%) that some portion or all of the deferred tax assets will not be realized. This guidance requires management to evaluate positive and negative evidence regarding the recoverability of deferred tax assets. The determination of whether the positive evidence outweighs the negative evidence and quantification of the valuation allowance requires management to make estimates and judgments of future financial results.

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

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The Company s income tax rate is significantly affected by the tax rate on global operations. In addition to local country tax laws and regulations, this rate depends on the extent earnings are indefinitely reinvested outside the United States. Indefinite reinvestment is determined by management s judgment about and intentions concerning the future operations of the Company. At December 31, 2016, management does not intend to repatriate accumulated foreign earnings of $34,841. Should we decide to repatriate these accumulated foreign earnings, the Company would have to accrue additional income and withholding taxes in the period in which it is determined that the earnings will no longer be indefinitely invested outside the United States.

Refer to Part II, Item 8, Financial Statements and Supplementary Data, Note 14 Income Taxes, included herein for additional information regarding the Company s deferred tax assets. The Company s ability to realize these tax benefits may affect the Company s reported income tax expense and net income.

New Accounting Pronouncements See Part II, Item 8, Financial Statements and Supplementary Data, Note 1 Summary of Significant Accounting Policies, to the Consolidated Financial Statements for information regarding new accounting pronouncements.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

(Dollars in thousands)

Interest Rate Risk

In the ordinary course of business, the Company is exposed to interest rate risks that may adversely affect funding costs associated with its variable-rate debt. For the year ended December 31, 2016, a 1% change in the interest rate for variable rate debt as of December 31, 2016 would increase or decrease interest expense by approximately $1,571.

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

The Company has entered into three forward starting LIBOR-based interest rate swap agreements with notional values totaling $50,000. At December 31, 2016 and 2015, the Company recorded a liability of $334 and $196 related to the swap agreements. The Company did not have any interest rate derivatives at December 31, 2014.

Foreign Currency Exchange Rate Risk

The Company is subject to exposures to changes in foreign currency exchange rates. The Company may manage its exposure to changes in foreign currency exchange rates on firm sale and purchase commitments by entering into foreign currency forward contracts. The Company s risk management objective is to reduce its exposure to the effects of changes in exchange rates on these transactions over the duration of the transactions. The Company did not engage in foreign currency hedging transactions during the three-year period ended December 31, 2016.

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ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of L.B. Foster Company and Subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, stockholders equity and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15(a) (2). These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of L.B. Foster Company and Subsidiaries at December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), L.B. Foster Company and Subsidiaries internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 8, 2017, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Pittsburgh, Pennsylvania

March 8, 2017

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L.B. FOSTER COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31,

(In thousands, except share data)

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 30,363	$ 33,312
Accounts receivable net	66,632	78,487
Inventories net	83,243	96,396
Prepaid income tax	14,166	1,131
Other current assets	5,200	5,148
Total current assets	199,604	214,474
Property, plant, and equipment net	103,973	126,745
Other assets:		
Goodwill	18,932	81,752
Other intangibles net	63,519	134,927
Deferred tax assets		226
Investments	4,031	5,321
Other assets	2,964	3,215
Total assets	$ 393,023	$ 566,660
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 37,744	$ 55,804
Deferred revenue	7,597	6,934
Accrued payroll and employee benefits	7,497	10,255
Accrued warranty	10,154	8,755
Current maturities of long-term debt	10,386	1,335
Other accrued liabilities	8,953	8,563
Total current liabilities	82,331	91,646
Long-term debt	149,179	167,419
Deferred tax liabilities	11,371	8,926
Other long-term liabilities	16,891	15,837
Stockholders equity:		
Common stock, par value $0.01, authorized 20,000,000 shares; shares issued at December 31, 2016 and December 31, 2015, 11,115,779; shares outstanding at December 31, 2016 and December 31, 2015, 10,312,625 and 10,221,006, respectively	111	111
Paid-in capital	44,098	46,681
Retained earnings	133,667	276,571
Treasury stock at cost, common stock, shares at December 31, 2016 and December 31, 2015, 803,154 and 894,773, respectively	(19,336)	(22,591)
Accumulated other comprehensive loss	(25,289)	(17,940)
Total stockholders equity	133,251	282,832
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 393,023	$ 566,660

The accompanying notes are an integral part of these Consolidated Financial Statements.

L.B. FOSTER COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

THE THREE YEARS ENDED DECEMBER 31,

(In thousands, except share data)

	2016	2015	2014
Sales of goods	$ 415,375	$ 537,214	$ 561,899
Sales of services	68,139	87,309	45,293
Total net sales	483,514	624,523	607,192
Cost of goods sold	331,437	420,169	449,964
Cost of services sold	61,721	70,701	35,637
Total cost of sales	393,158	490,870	485,601
Gross profit	90,356	133,653	121,591
Selling and administrative expenses	85,976	92,648	79,814
Amortization expense	9,575	12,245	4,695
Asset impairments	135,884	80,337	
Interest expense	6,551	4,378	512
Interest income	(228)	(206)	(530)
Equity in loss (income) of nonconsolidated investments	1,290	413	(1,282)
Other income	(1,523)	(5,585)	(678)
	237,525	184,230	82,531
(Loss) income before income taxes	(147,169)	(50,577)	39,060
Income tax (benefit) expense	(5,509)	(6,132)	13,404
Net (loss) income	$ (141,660)	$ (44,445)	$ 25,656
Basic (loss) earnings per common share	$ (13.79)	$ (4.33)	$ 2.51
Diluted (loss) earnings per common share	$ (13.79)	$ (4.33)	$ 2.48
Dividends paid per common share	$ 0.12	$ 0.16	$ 0.13

The accompanying notes are an integral part of these Consolidated Financial Statements.

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L.B. FOSTER COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

THE THREE YEARS ENDED DECEMBER 31,

(In thousands)

	2016	2015	2014
Net (loss) income	$ (141,660)	$ (44,445)	$ 25,656
Other comprehensive loss, net of tax:			
Foreign currency translation adjustment	(5,896)	(6,947)	(4,863)
Unrealized loss on cash flow hedges, net of tax expense (benefit) of ($54) and ($76)	(83)	(121)	
Pension and post-retirement benefit plans benefit (expense), net of tax expense (benefit): ($491), $208, and ($1,383)	(1,671)	631	(2,631)
Reclassification of pension liability adjustments to earnings, net of tax expense of $135, $160 and $63*	301	389	185
Other comprehensive loss, net of tax	(7,349)	(6,048)	(7,309)
Comprehensive (loss) income	$ (149,009)	$ (50,493)	$ 18,347

* Reclassifications out of accumulated other comprehensive income for pension obligations are charged to selling and administrative expense.

The accompanying notes are an integral part of these Consolidated Financial Statements.

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L.B. FOSTER COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

THE THREE YEARS ENDED DECEMBER 31,

(In thousands)

	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	$ (141,660)	$ (44,445)	$ 25,656
Adjustments to reconcile net loss to cash provided by operating activities:			
Deferred income taxes	3,375	(14,582)	(2,914)
Depreciation	13,917	14,429	7,882
Amortization	9,575	12,245	4,695
Asset impairments	135,884	80,337	
Equity loss (income) and remeasurement gain	1,290	(167)	(1,282)
Loss on sales and disposals of property, plant, and equipment	202	(2,064)	21
Share-based compensation	1,346	1,471	3,007
Excess income tax deficiency (benefit) from share-based compensation	332	(253)	(336)
Change in operating assets and liabilities, net of acquisitions:			
Accounts receivable	11,959	31,223	15,311
Inventories	10,479	4,331	(9,872)
Other current assets	1,380	3,248	(1,004)
Prepaid income tax	(13,035)	1,134	2,530
Other noncurrent assets	59	(909)	(386)
Dividends from LB Pipe & Coupling Products, LLC		90	630
Accounts payable	(16,005)	(17,204)	16,285
Deferred revenue	984	(2,279)	591
Accrued payroll and employee benefits	(2,676)	(5,136)	2,542
Other current liabilities	1,432	(4,189)	2,732
Other liabilities	(433)	(1,108)	651
Net cash provided by operating activities	(18,405)	56,172	66,739
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from the sale of property, plant, and equipment	969	5,339	184
Capital expenditures on property, plant, and equipment	(7,664)	(14,913)	(17,056)
Acquisitions, net of cash acquired		(196,001)	(80,797)
Loans and capital contributions to equity method investment	(1,235)		(82)
Net cash used by investing activities	(7,930)	(205,575)	(97,751)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of debt	(155,427)	(161,068)	(125)
Proceeds from debt	146,243	301,063	24,516
Proceeds from exercise of stock options and stock awards		68	131
Financing fees	(1,417)	(1,670)	(473)
Treasury stock acquisitions	(342)	(2,701)	(985)
Cash dividends on common stock paid to shareholders	(1,244)	(1,656)	(1,345)
Excess income tax (deficiency) benefit from share-based compensation	(332)	253	336
Net cash (used) provided by financing activities	(12,519)	134,289	22,055

Effect of exchange rate changes on cash and cash equivalents	(905)	(3,598)	(3,642)
Net decrease in cash and cash equivalents	(2,949)	(18,712)	(12,599)
Cash and cash equivalents at beginning of period	33,312	52,024	64,623
Cash and cash equivalents at end of period	$ 30,363	$ 33,312	$ 52,024
Supplemental disclosure of cash flow information:			
Interest paid	$ 4,855	$ 3,674	$ 362
Income taxes paid	$ 3,942	$ 7,835	$ 14,617
Capital expenditures funded through financing agreements	$	$ 288	$ 1,981

The accompanying notes are an integral part of these Consolidated Financial Statements.

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L.B. FOSTER COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

FOR THE THREE YEARS ENDED DECEMBER 31, 2016

	Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Total
	(In thousands, except share data)					
Balance, January 1, 2014	$ 111	$ 47,239	$ 298,361	$ (24,731)	$ (4,583)	$ 316,397