

FOSTER L B CO  
Form 10-K/A  
March 13, 2017

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

**FORM 10-K/A**  
**Amendment No. 1**

**(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**  
**(State of Incorporation)**

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

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

**15220**  
**(Zip Code)**

**Registrant's telephone number, including area code: (412) 928-3400**

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

<b>Title of Each Class</b>	<b>Name of Each Exchange On Which Registered</b>
<b>Common Stock, Par Value \$0.01</b>	<b>NASDAQ Global Select Market</b>
<b>Preferred Stock Purchase Rights</b>	<b>NASDAQ Global Select Market</b>

**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):

Edgar Filing: FOSTER L B CO - Form 10-K/A

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.

<b>Class</b>	<b>Outstanding at February 17, 2017</b>
Common Stock, Par Value \$0.01	10,320,130 shares

Documents Incorporated by Reference:

None.

## Explanatory Note

This Amendment No. 1 on Form 10-K/A (the Amendment ) amends the Annual Report on Form 10-K for the fiscal year ended December 31, 2016, originally filed with the Securities and Exchange Commission (the SEC ) on March 8, 2017 (the Form 10-K ), by L.B. Foster Company (the Company ). The purpose of this Amendment is solely to correct a typographical error to the 2016 net cash provided by operating activities within the Consolidated Statements of Cash Flows of Part II, Item 8 of the Form 10-K. The amount of net cash provided by operating activities was incorrectly displayed within parentheses as (\$18,405). The correct amount is \$18,405.

In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the Exchange Act ), we have included the entire text of Part II, Item 8 and Part IV, Item 15 of the Original Form 10-K in this Amendment. However, there have been no changes to the text of such Part II, Item 8 other than the change stated in the immediately preceding paragraph. Further, there have been no changes to the XBRL data filed in Exhibit 101 of Form 10-K.

In addition, we have filed the following exhibits:

23 Consent of Independent Registered Public Accounting Firm.

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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

Except as expressly set forth above, this Amendment does not, and does not purport to, amend, update, or restate the information in any other Item of the Form 10-K or reflect any events that have occurred after the filing of the Form 10-K.

**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

## L.B. FOSTER COMPANY AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

DECEMBER 31,

(In thousands, except share data)

	2016	2015
<b>ASSETS</b>		
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
<b>Total current assets</b>	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
<b>Total assets</b>	\$ 393,023	\$ 566,660
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
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
<b>Total current liabilities</b>	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)
<b>Total stockholders equity</b>	<b>133,251</b>	<b>282,832</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 393,023</b>	<b>\$ 566,660</b>

*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.*



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.*

L.B. FOSTER COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
THE THREE YEARS ENDED DECEMBER 31,

(In thousands)

	2016	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
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
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
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)

## L.B. FOSTER COMPANY AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

THE THREE YEARS ENDED DECEMBER 31,

(In thousands)

	2016	2015	2014
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
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.*

## 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 (In thousands, except share data)	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Total
Balance, January 1, 2014	\$ 111	\$ 47,239	\$ 298,361	\$ (24,731)	\$ (4,583)	\$ 316,397
Net income			25,656			25,656
Other comprehensive loss, net of tax:						
Pension liability adjustment					(2,446)	(2,446)
Foreign currency translation adjustment					(4,863)	(4,863)
Issuance of 53,884 common shares, net of shares withheld for taxes		(2,467)		1,613		(854)
Stock based compensation and related excess tax benefit		3,343				3,343
Cash dividends on common stock paid to shareholders			(1,345)			(1,345)
Balance, December 31, 2014	111	48,115	322,672	(23,118)	(11,892)	335,888
Net loss			(44,445)			(44,445)
Other comprehensive loss, net of tax:						
Pension liability adjustment					1,020	1,020
Foreign currency translation adjustment					(6,947)	(6,947)
Unrealized derivative loss on cash flow hedges					(121)	(121)
Purchase of 80,512 common shares for treasury				(1,587)		(1,587)
Issuance of 59,113 common shares, net of shares withheld for taxes		(3,158)		2,114		(1,044)
Stock based compensation and related excess tax benefit		1,724				1,724
Cash dividends on common stock paid to shareholders			(1,656)			(1,656)
Balance, December 31, 2015	111	46,681	276,571	(22,591)	(17,940)	282,832
Net loss			(141,660)			(141,660)
Other comprehensive loss, net of tax:						
Pension liability adjustment					(1,370)	(1,370)

Edgar Filing: FOSTER L B CO - Form 10-K/A

Foreign currency translation adjustment					(5,896)	(5,896)
Unrealized derivative loss on cash flow hedges					(83)	(83)
Purchase of 5,000 common shares for treasury					(67)	(67)
Issuance of 96,619 common shares, net of shares withheld for taxes		(3,597)		3,322		(275)
Stock based compensation and related excess tax deficiency		1,014				1,014
Cash dividends on common stock paid to shareholders					(1,244)	(1,244)
Balance, December 31, 2016	\$ 111	\$ 44,098	\$ 133,667	\$ (19,336)	\$ (25,289)	\$ 133,251

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

L.B. FOSTER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**Note 1.**

**Summary of Significant Accounting Policies**

*Basis of financial statement presentation*

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

*Cash and cash equivalents*

The Company considers cash and other instruments with maturities of three months or less, when purchased, to be cash and cash equivalents. The Company invests available funds in a manner to maximize returns, preserve investment principal, and maintain liquidity while seeking the highest yield available.

Cash and cash equivalents held in non-domestic accounts were approximately \$29,400 and \$29,700 at December 31, 2016 and 2015, respectively. Included in non-domestic cash equivalents are investments in bank term deposits of approximately \$16 and \$1,939 at December 31, 2016 and 2015, respectively. The carrying amounts approximated fair value because of the short maturity of the instruments.

*Inventories*

Certain inventories are valued at the lower of the last-in, first-out ( LIFO ) cost or market. Approximately 47% in 2016 and 43% in 2015 of the Company's inventory is valued at average cost or market, whichever is lower. Slow-moving inventory is reviewed and adjusted regularly, based upon product knowledge, physical inventory observation, and the age of the inventory.

*Property, plant, and equipment*

Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of 5 to 40 years for buildings and 2 to 10 years for machinery and equipment. Leasehold improvements are amortized over 3 to 13 years, which represent the lives of the respective leases or the lives of the improvements, whichever is shorter. Depreciation expense is recorded within cost of sales and selling and administrative expenses based upon the particular asset's use. The Company reviews a long-lived asset for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The Company impaired \$14,956 of property, plant and equipment related to the test and inspection services division within the Tubular and Energy Services segment during the year ended December 31, 2016. There were no material asset impairments recorded for the years ended December 31, 2015 and 2014.

Maintenance, repairs, and minor renewals are charged to operations as incurred. Major renewals and betterments that substantially extend the useful life of the property are capitalized at cost. Upon sale or other disposition of assets, the costs and related accumulated depreciation and amortization are removed from the accounts and the resulting gain or

loss, if any, is reflected in income.

*Allowance for doubtful accounts*

The allowance for doubtful accounts is recorded to reflect the ultimate realization of the Company's accounts receivable and includes assessment of the probability of collection and the credit-worthiness of certain customers. Reserves for uncollectible accounts are recorded as part of selling and administrative expenses on the Consolidated Statements of Operations. The Company reviews its accounts receivable aging and calculates an allowance through application of historic reserve factors to overdue receivables. This calculation is supplemented by specific account reviews performed by the Company's credit department. As necessary, the application of the Company's allowance rates to specific customers is reviewed and adjusted to more accurately reflect the credit risk inherent within that customer relationship.

### *Investments*

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

### *Goodwill and other intangible assets*

Goodwill is tested annually for impairment or more often if there are indicators of impairment. 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 performs its annual impairment tests as of October 1<sup>st</sup>.

During 2016 and 2015, the Company identified certain triggering events that indicated an interim impairment test was required. As a result of the Company's assessment, the Company recorded goodwill impairment of \$61,142 and \$80,337 during 2016 and 2015, respectively. The 2016 charges related to the full impairment of the Chemtec Energy Services ( Chemtec ) and Protective Coatings divisions goodwill within the Tubular and Energy Services segment resulting from the Chemtec acquisition in 2014 and the 2013 acquisition of Ball Winch, LLC and a partial impairment of the Rail Technologies division goodwill within the Rail Products and Services segments, respectively. The 2015 impairment charge related to the goodwill resulting from the acquisition of IOS (or test and inspection services ) and Chemtec within the Tubular and Energy Services segment. The measurement of goodwill impairment is a Level 3 fair value measurement, since the primary assumptions, including estimates of future revenue growth, gross margin, and EBITDA margin, are not market observable and require management to make judgements regarding future outcomes. Additional information concerning the impairments is set forth in Note 4 Goodwill and Other Intangible Assets, to the financial statements. No additional charges were recorded as a result of the 2016 annual impairment test. No goodwill impairment was recognized during 2014.

The Company has no indefinite-lived intangible assets. The Company reviews a long-lived intangible asset for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. All intangible assets are amortized over their useful lives ranging from 2 to 25 years, with a total weighted average amortization period of approximately 15 years, at December 31, 2016. During the year ended December 31, 2016, the Company recorded a definite-lived intangible asset impairment of \$59,786 related to Chemtec and test and inspection services within the Tubular and Energy Services segment. There were no definite-lived intangible asset impairments during the years ended December 31, 2015 and 2014. See Note 4 Goodwill and Other Intangible Assets for additional information regarding the Company's intangible assets.

### *Environmental remediation and compliance*

Environmental remediation costs are accrued when the liability is probable and costs are estimable. Environmental compliance costs, which principally include the disposal of waste generated by routine operations, are expensed as incurred. Capitalized environmental costs, when appropriate, are depreciated over their useful life. Reserves are not reduced by potential claims for recovery and are not discounted. Claims for recovery are recognized as agreements are reached with third parties or as amounts are received. Reserves are periodically reviewed throughout the year 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. See Note 19 Commitments and Contingent Liabilities, for

additional information regarding the Company's outstanding environmental and litigation reserves.

*Earnings per share*

Basic earnings per share is calculated by dividing net income by the weighted average of common shares outstanding during the year. Diluted earnings per share is calculated by using the weighted average of common shares outstanding adjusted to include the potentially dilutive effect of outstanding stock options and restricted stock utilizing the treasury stock method.

### *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 and services 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 and services, 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 Statements of Operations. Costs in excess of billings are classified as work-in-process inventory. Projects with billings in excess of costs are recorded within deferred revenue.

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, the Company analyzes 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.

### *Deferred revenue*

Deferred revenue consists of customer payments received for which the revenue recognition criteria have not yet been met as well as billings in excess of costs on percentage of completion projects. Advanced payments from customers typically relate to contracts with respect to which the Company has significantly fulfilled its obligations, but due to the Company's continuing involvement with the project, revenue is precluded from being recognized until title, ownership, and risk of loss have passed to the customer.

### *Fair value of financial instruments*

The Company's financial instruments consist of cash equivalents, accounts receivable, accounts payable, interest rate swap agreements, and debt.

The carrying amounts of the Company's financial instruments at December 31, 2016 and 2015 approximate fair value. See Note 18 Fair Value Measurements, for additional information.

### *Stock-based compensation*

The Company applies the provisions of FASB ASC 718, Compensation—Stock Compensation, to account for the Company's share-based compensation. Under the guidance, share-based compensation cost is measured at the grant date based on the calculated fair value of the award. The expense is recognized over the employees' requisite service period, generally the vesting period of the award. See Note 15 Share-based Compensation, for additional information.

### *Product warranty*

The Company maintains a current warranty liability for the repair or replacement of defective products. For certain manufactured products, an accrual is made on a monthly basis as a percentage of cost of sales based upon historical experience. For long-lived construction products, a warranty 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 or due to changes in the Company's historical warranty experience. At December 31, 2016 and 2015, the product warranty reserve was \$10,154 and \$8,755, respectively. See Note 19 Commitments and Contingencies for additional information regarding the product warranty.

### *Income taxes*

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred taxes are measured using enacted tax laws and rates expected to be in effect when such differences are recovered or settled. The effect of a change in tax rates on deferred taxes is recognized in income in the period that includes the enactment date of the change.

The Company makes judgments regarding the recognition of deferred tax assets and the future realization of these assets. As prescribed by FASB ASC 740 *Income Taxes* and applicable guidance, valuation allowances must be provided for those deferred tax assets for which it is more likely than not (a likelihood more than 50%) that some portion or all of the deferred tax assets will not be realized. The guidance requires the Company 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 the Company 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. The Company accrues interest and penalties related to unrecognized tax benefits in its provision for income taxes.

### *Foreign currency translation*

The assets and liabilities of our foreign subsidiaries are measured using the local currency as the functional currency and are translated into U.S. dollars at exchange rates as of the balance sheet date. Income statement amounts are translated at the weighted-average rates of exchange during the year. The translation adjustment is accumulated as a separate component of accumulated other comprehensive income (loss). Foreign currency transaction gains and losses are included in determining net income. Included in net income for the years ended December 31, 2016, 2015, and 2014 were foreign currency transaction (losses) gains of approximately (\$12), \$1,616, and \$422, respectively.

### *Research and development*

The Company expenses research and development costs as costs are incurred. For the years ended December 31, 2016, 2015, and 2014, research and development expenses were \$3,511, \$3,937, and \$3,096, respectively, and were principally related to the Company's friction management and railroad monitoring system products.

### *Use of estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### *Recently issued accounting guidance*

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718)*. This standard makes several modifications to Topic 718 related to the accounting for forfeitures, employer tax withholding on

share-based compensation, and the financial statement presentation of excess tax benefits or deficiencies. ASU 2016-09 also clarifies the statement of cash flows presentation for certain components of share-based awards. The standard is effective for interim and annual reporting periods beginning after December 15, 2016, although early adoption is permitted. The adoption of this new guidance is not expected to have a material impact on the Company's financial position and results of operations.

In May 2014, the FASB issued Accounting Standards Update ( ASU ) 2014-09, Revenue from Contracts with Customers (Topic 606) ( ASU 2014-09 ), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. ASU 2014-09 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue,

cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period. The Company continues to evaluate the impacts that this standard will have on the Company's financial statements. The Company anticipates using the modified retrospective approach at adoption as it relates to ASU 2014-09.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The new accounting requirements include the accounting for, presentation of, and classification of leases. The guidance will result in most leases being capitalized as a right of use asset with a related liability on our balance sheets. The requirements of the new standard are effective for annual reporting periods beginning after December 15, 2018, and interim periods within those annual periods. The Company is in the process of analyzing the impact of ASU 2016-02 on our financial position and results of operations. The Company has a significant number of leases, and, as a result, expects this guidance to have a material impact on its consolidated balance sheet, the impact of which is currently being evaluated.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes—Intra-Entity Transfers of Assets Other Than Inventory (Topic 740)*, which will require an entity to recognize the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. The ASU is effective on January 1, 2018 with early adoption permitted. The Company continues to evaluate the impact this standard will have on the Company's financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350)*, which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under the new guidance, an entity will recognize an impairment charge for the amount by which the carrying value exceeds the fair value. This standard is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is evaluating its implementation approach and assessing the impact of ASU 2017-04 on our financial position and results of operations.

#### *Recently adopted accounting guidance*

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40)*. This standard requires management to assess an entity's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. The standard is effective for annual reporting periods, and interim periods therein, ending after December 15, 2016. Accordingly, the Company has adopted this ASU and evaluated the Company's ability to continue as a going concern as well as the need for related footnote disclosure. The Company has concluded no disclosure is necessary regarding the entity's ability to continue as a going concern.

#### **Note 2.**

##### **Business Segments**

The Company is a leading manufacturer and distributor of products and services for transportation and energy infrastructure. The Company is organized and evaluated by product group, which is the basis for identifying reportable segments. Each segment represents a revenue-producing component of the Company for which separate financial information is produced internally that is subject to evaluation by the Company's chief operating decision maker in deciding how to allocate resources. Each segment is evaluated based upon its segment profit contribution to the Company's consolidated results.

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

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

The Company's Construction Products segment sells and rents steel sheet piling, H-bearing pile, and other piling products for foundation and earth retention requirements. The Company's Fabricated Bridge Products division sells bridge decking, bridge railing, structural steel fabrications, expansion joints, bridge forms, and other products for highway construction and repair. The concrete products businesses produce precast concrete buildings and a variety of specialty precast concrete products.

The Company's Tubular and Energy Services segment provides pipe coatings for natural gas pipelines and utilities, upstream test and inspection services, and precision measurement systems for the oil and gas market, and produces threaded pipe products for the oil and gas markets as well as industrial water well and irrigation markets.

The following table illustrates net sales, profit (loss), assets, depreciation/amortization, and expenditures for long-lived assets of the Company by segment for the years ended or at December 31, 2016, 2015, and 2014. Segment profit is the earnings from operations before income taxes and includes internal cost of capital charges for net assets used in the segment at a rate of generally 1% per month excluding recently acquired businesses. The internal cost of capital charges are eliminated during the consolidation process. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies except that the Company accounts for inventory on a First-In, First-Out ( FIFO ) basis at the segment level compared to a Last-In, First-Out ( LIFO ) basis at the consolidated level.

	2016				
	Net Sales	Segment Profit (Loss) *	Segment Assets	Depreciation/ Amortization	Expenditures for Long-Lived Assets
Rail Products and Services	\$ 239,127	\$ (26,228)	\$ 174,049	\$ 7,276	\$ 856
Construction Products	145,602	8,189	81,074	2,256	687
Tubular and Energy Services	98,785	(116,126)	100,006	12,644	3,810
Total	\$ 483,514	\$ (134,165)	\$ 355,129	\$ 22,176	\$ 5,353
	2015				
	Net Sales	Segment Profit (Loss) **	Segment Assets	Depreciation/ Amortization	Expenditures for Long-Lived Assets
Rail Products and Services	\$ 328,982	\$ 27,037	\$ 241,222	\$ 8,098	\$ 4,273
Construction Products	176,394	12,958	86,335	2,720	1,260
Tubular and Energy Services	119,147	(81,344)	216,715	14,857	4,303
Total	\$ 624,523	\$ (41,349)	\$ 544,272	\$ 25,675	\$ 9,836
	2014				
	Net Sales	Segment Profit	Segment Assets	Depreciation/ Amortization	Expenditures for Long-Lived Assets
Rail Products and Services	\$ 374,615	\$ 30,093	\$ 239,951	\$ 6,153	\$ 5,115
Construction Products	178,847	13,106	102,978	2,232	3,343
Tubular and Energy Services	53,730	5,350	130,289	3,208	6,988
Total	\$ 607,192	\$ 48,549	\$ 473,218	\$ 11,593	\$ 15,446

- \* - Segment loss includes impairment of goodwill, definite-lived intangible assets and property, plant and equipment as further described in Note 4 Goodwill and Other Intangible Assets and Note 7 Property, Plant and Equipment.
- \*\* - Segment loss includes impairment of goodwill as further described in Note 4 Goodwill and Other Intangible Assets.

During 2016, 2015, and 2014, no single customer accounted for more than 10% of the Company's consolidated net sales. Sales between segments are immaterial.

Reconciliations of reportable segment net sales, profits, assets, depreciation/amortization, and expenditures for long-lived assets to the Company's consolidated totals are as follows for the years ended and as of December 31:

	2016	2015	2014
<b>(Loss) income from Operations:</b>			
Total for reportable segments	\$ (134,165)	\$ (41,349)	\$ 48,549
Adjustment of inventory to LIFO	2,643	2,468	738
Unallocated interest income	87	206	530
Unallocated equity in (loss) income of nonconsolidated investments	(1,290)	(413)	1,282
Unallocated corporate amounts	(14,444)	(11,489)	(12,039)
<b>(Loss) income from operations, before income taxes</b>	<b>\$ (147,169)</b>	<b>\$ (50,577)</b>	<b>\$ 39,060</b>
<b>Assets:</b>			
Total for reportable segments	\$ 355,129	\$ 544,272	\$ 473,218
Unallocated corporate assets	41,072	28,209	26,788
LIFO	(3,178)	(5,821)	(8,289)
<b>Total assets</b>	<b>\$ 393,023</b>	<b>\$ 566,660</b>	<b>\$ 491,717</b>
<b>Depreciation/Amortization:</b>			
Total for reportable segments	\$ 22,176	\$ 25,675	\$ 11,593
Other	1,316	999	984
<b>Total</b>	<b>\$ 23,492</b>	<b>\$ 26,674</b>	<b>\$ 12,577</b>
<b>Expenditures for Long-Lived Assets:</b>			
Total for reportable segments	\$ 5,353	\$ 9,836	\$ 15,446
Expenditures funded through financing agreements		288	1,981
Other expenditures	2,311	5,077	1,610
<b>Total</b>	<b>\$ 7,664</b>	<b>\$ 15,201</b>	<b>\$ 19,037</b>

The following table summarizes the Company's sales by major geographic region in which the Company has operations for the years ended December 31:

	2016	2015	2014
United States	\$ 390,930	\$ 522,404	\$ 498,025
United Kingdom	37,188	26,817	22,625
Canada	30,644	40,545	39,375
Other	24,752	34,757	47,167
	\$ 483,514	\$ 624,523	\$ 607,192

The following table summarizes the Company's long-lived assets by geographic region at December 31:

	2016	2015	2014
United States	\$ 96,650	\$ 118,053	\$ 66,905
Canada	5,445	6,186	7,440
Other	1,878	2,506	457
	\$ 103,973	\$ 126,745	\$ 74,802

The following table summarizes the Company's sales by major product line:

	2016	2015	2014
Rail Technologies products	\$ 90,469	\$ 98,237	\$ 109,053
Rail distribution products	83,236	126,277	139,529
Piling products	70,535	94,853	111,182
Concrete products	54,514	52,044	36,396
Precision measurement systems	42,830	36,048	
Allegheny Rail Products	24,102	35,155	45,008
Upstream test and inspection services	20,765	35,906	
CXT concrete tie products	16,288	35,740	52,562
Other products	80,775	110,263	113,462
	\$ 483,514	\$ 624,523	\$ 607,192

---

**Note 3.****Acquisitions*****TEW Plus, Ltd***

On November 23, 2015, the Company acquired the 75% balance of the remaining shares of TEW Plus, Ltd ( Tew Plus ) for \$2,130, net of cash acquired. Headquartered in Nottingham, UK, Tew Plus provides telecommunications and security systems to the railway and commercial markets. Their offerings include full installation services including: design, project management, survey, and commissioning along with future maintenance. The results of Tew Plus operations are included within the Rail Products and Services segment from the date of acquisition.

***Inspection Oilfield Services***

On March 13, 2015, the Company acquired IOS Holdings, Inc. ( IOS ) for \$167,404, net of cash acquired and a net working capital receivable adjustment of \$2,363. The purchase agreement includes an earn-out provision for the seller to generate an additional \$60,000 of proceeds upon achieving certain levels of EBITDA during the three-year period beginning on January 1, 2015. The Company has not accrued an estimated earn-out obligation based upon a probability weighted valuation model of the projected EBITDA results, which indicates that the minimum target will not be achieved. Approximately \$7,600 of the purchase price relates to amounts held in escrow to satisfy potential indemnity claims made under the purchase agreement. Headquartered in Houston, TX, IOS is a leading independent provider of tubular management services with operations in every significant oil and gas producing region in the continental United States. The acquisition is included within our Tubular and Energy Services segment from the date of acquisition. See Note 4 Goodwill and Other Intangible Assets, with respect to an impairment of the goodwill related to this acquisition.

***TEW Holdings, Ltd***

On January 13, 2015, the Company acquired TEW Holdings, Ltd ( Tew ) for \$26,467, net of cash acquired, working capital, and net debt adjustments totaling \$4,200. The purchase price includes approximately \$600 which is held in escrow to satisfy potential indemnity claims made under the purchase agreement. Headquartered in Nottingham, UK, Tew provides application engineering solutions primarily to the rail market and other major industries. The results of Tew s operations are included within the Rail Products and Services segment from the date of acquisition.

***Chemtec Energy Services, L.L.C.***

On December 30, 2014, the Company acquired Chemtec Energy Services, LLC ( Chemtec ) for \$66,719, net of cash received, which is inclusive of \$1,867 related to working capital adjustments. The cash payment included \$5,000 that is held in escrow to satisfy potential indemnity claims made under the purchase agreement. Headquartered in Willis, TX, Chemtec is a domestic manufacturer and turnkey provider of blending, injection, and metering equipment for the oil and gas industry. The acquired business is included within our Tubular and Energy Services segment. See Note 4 Goodwill and Other Intangible Assets, with respect to an impairment of the goodwill related to this acquisition.

***FWO***

On October 29, 2014, the Company acquired assets of FWO, a business of Balfour Beatty Rail GmbH for \$1,103, inclusive of a \$161 post-closing working capital receivable adjustment. Headquartered in Germany, FWO is engaged in the electronic track lubrication and maintenance business and has been included in our Rail Products and Services segment.

***Carr Concrete***

On July 7, 2014, the Company acquired assets of Carr Concrete Corporation ( Carr ) for \$12,480, inclusive of a \$189 post-closing purchase price adjustment. Carr is a provider of pre-stressed and precast specialty concrete products located in Waverly, WV. Included within the purchase price is \$1,000 that is held in escrow to satisfy potential indemnity claims made under the purchase agreement. The results of Carr s operations are included in our Construction Products segment.

***Acquisition Summary***

Each transaction was accounted for under the acquisition method of accounting under U.S. generally accepted accounting principles, which requires an acquiring entity to recognize, with limited exceptions, all of the assets acquired and liabilities assumed in a transaction at fair value as of the acquisition date. Goodwill primarily represents the value paid for each acquisition s enhancement to the Company s product and service offerings and capabilities, as well as a premium payment related to the ability to control the acquired assets. The Company has concluded that intangible assets and goodwill values resulting from the Chemtec, FWO, and Carr transactions are deductible for tax purposes.

No acquisition-related costs were incurred during the year ended December 31, 2016. The Company incurred \$760 and \$2,240 of acquisition-related costs that are included in the results of operations within selling and administrative costs for the years ended December 31, 2015 and 2014.

The following unaudited pro forma consolidated income statement presents the Company's results as if the acquisitions of IOS, Tew, and Chemtec had occurred on January 1, 2014. The 2015 pro forma results include the impact of the current year impairment of goodwill as further described in Note 4.

	Twelve months ended	
	December, 31	
	2015	2014
Net sales	\$ 640,596	\$ 806,384
Gross profit	138,123	183,163
Net (loss) income	(44,399)	41,745
Diluted (loss) earnings per share		
As Reported	\$ (4.33)	\$ 2.48
Pro forma	\$ (4.32)	\$ 4.04

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of the acquisition:

Allocation of Purchase Price	November 23, 2015 - Tew	March 13, 2015 - IOS	January 13, 2015 - Tew	December 30, 2014 - Chemte	October 29, 2014 - FWO	July 7, 2014 - Carr
Current assets	\$ 4,420	\$ 19,877	\$ 12,125	\$ 15,528	\$ 131	\$ 3,180
Other assets		708				45
Property, plant, and equipment	47	51,453*	2,398	4,705		7,648
Goodwill	822	69,908*	8,772	22,302*	971	1,936
Other intangibles	1,074	50,354*	14,048	33,130	419	1,348
Liabilities assumed	(3,597)	(23,596)	(6,465)	(6,756)	(418)	(1,677)
<b>Total</b>	<b>\$ 2,766</b>	<b>\$ 168,704</b>	<b>\$ 30,878</b>	<b>\$ 68,909</b>	<b>\$ 1,103</b>	<b>\$ 12,480</b>

\* - See Note 4 Goodwill and Other Intangible Assets, and Note 7 Property, Plant, and Equipment, with respect to an impairment of property, plant, and equipment, intangible assets, and goodwill related to this acquisition.

The following table summarizes the estimates of the fair values and amortizable lives of the identifiable intangible assets acquired:

Intangible Asset	November 23, 2015 - Tew	March 13, 2015 - IOS	January 13, 2015 - Tew	December 30, 2014 - Chemte	October 29, 2014 - FWO	July 7, 2014 - Carr
Trade name	\$	\$ 2,641	\$ 870	\$ 3,149	\$	\$ 613
Customer relationships	817	41,171	10,035	23,934	34	524
Technology	203	4,364	2,480	4,930	341	87

Edgar Filing: FOSTER L B CO - Form 10-K/A

Non-competition agreements	54	2,178	663	1,117	44	124
Total identified intangible assets	\$ 1,074	\$ 50,354**	\$ 14,048	\$ 33,130	\$ 419	\$ 1,348

\*\* - See Note 4 Goodwill and Other Intangible Assets, with respect to an impairment of intangible assets related to this acquisition.

**Note 4.****Goodwill and Other Intangible Assets**

The following table represents the goodwill balance by reportable segment:

	Rail Products and Services	Construction Products	Tubular and Energy Services	Total
Balance at December 31, 2014:	\$ 38,956	\$ 5,147	\$ 38,846	\$ 82,949
Acquisitions	9,594		69,908	79,502
Foreign currency translation impact	(362)			(362)
Impairment charges			(80,337)	(80,337)
	48,188	5,147	108,754	162,089
Accumulated impairment losses			(80,337)	(80,337)
Balance at December 31, 2015:	48,188	5,147	28,417	81,752
Foreign currency translation impact	(1,524)			(1,524)
Disposition	(154)			(154)
Impairment charges	(32,725)		(28,417)	(61,142)
	46,510	5,147	108,754	160,411
Accumulated impairment losses	(32,725)		(108,754)	(141,479)
Balance at December 31, 2016:	\$ 13,785	\$ 5,147	\$	\$ 18,932

The Company performs goodwill impairment tests annually during the fourth quarter, and also performs interim goodwill impairment tests if it is determined that it is more likely than not that the fair value of a reporting unit is less than the carrying amount. Qualitative factors are assessed to determine whether it is more likely than not that the fair value of a reporting unit is less than the carrying amount.

During the current year, various reporting units underperformed against their projections and revised their forecasts downward. The revised forecasts, which were primarily attributable to weakness in the rail and energy markets, indicated longer recovery horizons than we previously projected. In connection with the revisions to the longer term projections and a substantial decline in market capitalization, the Company concluded that these qualitative factors indicated that there was a more likely than not risk that the carrying value of goodwill exceeded its fair value.

As a result of the Company's qualitative review, with the assistance of an independent valuation firm, the Company performed a quantitative interim test for impairment of goodwill as of June 1, 2016. The valuation included the use of both the income and market approaches. Greater weighting was applied to the income approach since the Company believes it is the most reliable indication of value as it captures forecasted revenues and earnings for the reporting units in the projection period that the market approach may not directly incorporate. In addition, a lack of comparable market transactions in recent months has limited the availability of information necessary for the market approach.

The results of the test indicated that the Rail Technologies (within the Rail Products and Services segment), Chemtec (or precision measurement systems), and protective coatings (Chemtec and protective coatings are within the Tubular and Energy Services segment) reporting units' respective fair values were less than their carrying value. All other

reporting units that maintain goodwill substantially exceeded their carrying value and were not at risk of impairment. As a result of the continued weakness in the commodity cycles impacting the energy and rail markets, the near term projections of the Rail Technologies, Chemtec and protective coatings reporting units have deteriorated and the expected future growth of these reporting units was determined to be insufficient to support the carrying values.

The Company determined the implied fair values of the Rail Technologies, Chemtec, and protective coatings reporting units by using level 3 unobservable inputs, which incorporated assumptions that we believe would be a reasonable market participant's view in a hypothetical purchase, to develop the discounted cash flows of the respective reporting units. Significant level 3 inputs included estimates of future revenue growth, gross margin and earnings before interest, taxes, depreciation and amortization ( EBITDA ). The resulting fair values of each reporting unit were allocated to the assets and liabilities of the respective reporting unit as if each reporting unit had been acquired in business combinations as of the test date and the fair value was the purchase price paid to acquire each reporting unit. The results of the step 2 analysis indicated that the carrying amounts of the goodwill of Rail Technologies, Chemtec, and protective coatings exceeded the implied fair values of that goodwill. Accordingly, the Company recognized a non-cash goodwill impairment of \$61,142, which represented the full impairment of goodwill within the Chemtec and protective coatings reporting units and approximately 68% of Rail Technologies goodwill. No additional impairments were triggered as a result of the Company's 2016 annual impairment test.

At December 31, 2016, approximately \$13,785 of the Company's goodwill balance is allocated to the Rail Technologies reporting unit within the Rail Products and Services reportable segment.

In 2015, the Company compared the implied fair values of the IOS and Chemtec goodwill amounts to the carrying amounts of that goodwill. The fair values of the IOS and Chemtec reporting units were allocated to all of the assets and liabilities of the respective reporting unit as if IOS and Chemtec had been acquired in business combinations as of the test date and the fair value was the purchase price paid to acquire each reporting unit. As a result of this valuation, it was determined that the carrying amounts of IOS's and Chemtec's goodwill exceeded the implied fair values of that goodwill. The Company 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. No additional impairments were triggered as a result of the Company's 2015 annual impairment test.

The following table represents the gross definite-lived intangible assets balance by reportable segment at December 31:

	2016	2015
Rail Products and Services	\$ 56,476	\$ 59,226
Construction Products	1,348	1,348
Tubular and Energy Services	29,179	98,166
	\$ 87,003	\$ 158,740

During the year ended December 31, 2016, the Company performed recoverability tests on reporting units when it was more likely than not that the carrying value of the long-lived asset group would not be recoverable. The results of our testing indicated that the long-lived assets related to the IOS and Chemtec divisions, within the Tubular and Energy Services segment, had carrying values in excess of the asset groups' fair value. Based upon level 3 unobservable inputs, the Company incorporated assumptions that it believes would be a reasonable market participant's view in a hypothetical purchase, to develop the discounted cash flows. Significant level 3 inputs included estimates of future revenue growth, gross margin and EBITDA. As a result of the analysis, the Company recorded a \$42,982 non-cash impairment of definite-lived intangible assets related to the IOS division and a \$16,804 non-cash impairment of definite-lived intangible assets related to the Chemtec division. There were no definite-lived intangible asset impairments recorded during the years ended December 31, 2015 or 2014.

The components of the Company's intangible assets are as follows at:

	Weighted Average Amortization In Years	December 31, 2016		Net Carrying Amount
		Gross Carrying Value	Accumulated Amortization	
Non-compete agreements	5	\$ 4,219	\$ (2,217)	\$ 2,002
Patents	10	373	(143)	230
Customer relationships	18	36,843	(6,582)	30,261
Trademarks and trade names	14	10,018	(3,238)	6,780
Technology	14	35,550	(11,304)	24,246
		\$ 87,003	\$ (23,484)	\$ 63,519

	Weighted Average Amortization In Years	December 31, 2015		Net Carrying Amount
		Gross Carrying Value	Accumulated Amortization	
Non-compete agreements	4	\$ 6,984	\$ (2,495)	\$ 4,489
Patents	10	378	(124)	254
Customer relationships	16	94,338	(8,441)	85,897
Supplier relationships	5	350	(335)	15
Trademarks and trade names	13	14,252	(3,025)	11,227
Technology	13	42,438	(9,393)	33,045
		\$ 158,740	\$ (23,813)	\$ 134,927

Intangible assets are amortized over their useful lives ranging from 5 to 25 years, with a total weighted average amortization period of approximately 15 years. Amortization expense for the years ended December 31, 2016, 2015, and 2014 was \$9,575, \$12,245, and \$4,695, respectively.

Estimated amortization expense for the years 2017 and thereafter is as follows:

	Amortization Expense
2017	\$ 7,042
2018	6,937
2019	6,203
2020	5,845
2021	5,771
2022 and thereafter	31,721
	\$ 63,519



**Note 5.****Accounts Receivable**

Accounts receivable at December 31, 2016 and 2015 are summarized as follows:

	2016	2015
Trade	\$ 64,707	\$ 79,100
Allowance for doubtful accounts	(1,417)	(1,485)
	63,290	77,615
Other	3,342	872
	\$ 66,632	\$ 78,487

The Company's customers are principally in the transportation and energy infrastructure sectors. At December 31, 2016 and 2015, trade receivables, net of allowance for doubtful accounts, from customers were as follows:

	2016	2015
Rail Products and Services	\$ 29,552	\$ 43,155
Construction Products	20,531	20,489
Tubular and Energy Services	13,207	13,971
	\$ 63,290	\$ 77,615

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

**Note 6.****Inventory**

Inventories at December 31, 2016 and 2015 are summarized in the following table:

	December 31, 2016	December 31, 2015
Finished goods	\$ 46,673	\$ 62,547
Work-in-process	21,716	20,178
Raw materials	18,032	19,492
Total inventories at current costs	86,421	102,217
Less: LIFO reserve	(3,178)	(5,821)

\$ 83,243      \$ 96,396

At December 31, 2016 and 2015, the LIFO carrying value of inventories for book purposes exceeded the LIFO value for tax purposes by approximately \$8,925 and \$5,046, respectively. At December 31, 2016, 2015, and 2014 liquidation of certain LIFO inventory layers carried at costs that were higher than the costs of current purchases resulted in increases in cost of goods sold of \$1,304, \$115 and \$6, respectively.

**Note 7.****Property, Plant, and Equipment**

Property, plant, and equipment at December 31, 2016 and 2015 consist of the following:

	2016	2015
Land	\$ 14,826	\$ 17,054
Improvements to land and leaseholds	17,408	16,590
Buildings	33,910	39,366
Machinery and equipment, including equipment under capitalized leases	118,060	118,677
Construction in progress	1,291	11,844
	185,495	203,531
Less accumulated depreciation and amortization, including accumulated amortization of capitalized leases	81,522	76,786
	\$ 103,973	\$ 126,745

During the year ended December 31, 2016, the Company performed recoverability tests on reporting units when it was more likely than not that the carrying value of the long-lived asset group would not be recoverable. The results of our testing indicated that the long-lived assets related to the IOS business, within the Tubular and Energy Services segment, had carrying values in excess of the asset groups' fair value. Based upon level 3 unobservable inputs, the Company incorporated assumptions that it believes would be a reasonable market participant's view in a hypothetical purchase, to develop the discounted cash flows. Significant level 3 inputs included estimates of future revenue growth, gross margin, and EBITDA. As a result of the analysis, the Company recorded a \$14,956 non-cash impairment of property, plant and equipment related to the IOS business. There were no impairments of property, plant and equipment recorded during the years ended December 31, 2015 or 2014.

Depreciation expense, including amortization of assets under capital leases, for the years ended December 31, 2016, 2015, and 2014 amounted to \$13,917, \$14,429 and \$7,882, respectively.

**Note 8.****Investments**

The Company is a member of a joint venture, L B Pipe and Coupling Products, LLC ( LB Pipe JV ), in which it maintains a 45% ownership interest. LB Pipe JV manufactures, markets, and sells various precision coupling products for the energy, utility, and construction markets and is scheduled to terminate on June 30, 2019.

Under applicable guidance for variable interest entities in ASC 810, Consolidation, the Company determined that LB Pipe JV is a variable interest entity. The Company concluded that it is not the primary beneficiary of the variable interest entity, as the Company does not have a controlling financial interest and does not have the power to direct the activities that most significantly impact the economic performance of LB Pipe JV. Accordingly, the Company concluded that the equity method of accounting remains appropriate.

During the years ended December 31, 2016 and 2015, each of the LB Pipe JV members received proportional distributions from LB Pipe JV. The Company's 45% ownership interest resulted in cash distributions of \$90 during 2015. There were no changes to the members' ownership interests as a result of the distribution. During 2016, the Company and the other 45% member each executed a revolving line of credit with LB Pipe JV with an available limit of \$1,350. The Company and the other 45% member each loaned \$1,235 to LB Pipe JV in an effort to maintain compliance with LB Pipe JV's debt covenants with an unaffiliated bank. The Company's loan with LB Pipe JV matures on December 15, 2017.

The Company recorded equity in the (loss) income of LB Pipe JV of approximately (\$1,345), (\$410) and \$1,286 for the years ended December 31, 2016, 2015, and 2014, respectively.

At December 31, 2016 and 2015, the Company had a nonconsolidated equity method investment of \$3,902 and \$5,246, respectively, in LB Pipe JV and other investments totaling \$129 and \$75 at December 31, 2016 and 2015, respectively. The Company performed recoverability tests over its nonconsolidated equity method investments and concluded that the fair values exceeded the carrying values and no impairment was recorded by the Company during the years ended December 31, 2016, 2015 or 2014.

The Company's exposure to loss results from its capital contributions, net of the Company's share of LB Pipe JV's income or loss, its revolving line of credit, and its net investment in the direct financing lease covering the facility used by LB Pipe JV for its operations. The carrying amounts with the maximum exposure to loss of the Company at December 31, 2016 and 2015, respectively, are as follows:

	2016	2015
LB Pipe JV equity method investment	\$ 3,902	\$ 5,246
Revolving line of credit	1,235	
Net investment in direct financing lease	871	995
	\$ 6,008	\$ 6,241

The Company is leasing five acres of land and two facilities to LB Pipe JV through June 30, 2019, with a 5.5-year renewal period. The current monthly lease payments, including interest, approximate \$17, with a balloon payment of approximately \$488, which is required to be paid at the termination of the lease, allocated over the renewal period, or during the initial term of the lease. This lease qualifies as a direct financing lease under the applicable guidance in ASC 840-30, *Leases*.

The following is a schedule of the direct financing minimum lease payments for the years 2017 and thereafter:

	Minimum Lease Payments	
2017	\$	140
2018		150
2019		581
	\$	871

As a result of the November 23, 2015 acquisition of Tew Plus, the Company remeasured its 25% equity investment in Tew Plus resulting in other income of \$580 for the period ended December 31, 2015. Refer to Note 20, *Other Income*, for additional information on the gain.

## Note 9.

### Deferred Revenue

Deferred revenue of \$7,597 and \$6,934 at December 31, 2016 and 2015, respectively, consists of customer payments received for which the revenue recognition criteria have not yet been met as well as billings in excess of costs on percentage of completion projects. Advanced payments from customers typically relate to contracts with respect to which the Company has significantly fulfilled its obligations, but due to the Company's continuing involvement with the project, revenue is precluded from being recognized until title, ownership, and risk of loss have passed to the customer.

**Note 10.****Long-Term Debt and Related Matters**

Long-term debt at December 31, 2016 and 2015 consists of the following:

	2016	2015
Revolving credit facility with an interest rate of 4.22% at December 31, 2016 and 2.10% at December 31, 2015.	\$ 127,073	\$ 165,000
Term loan payable in quarterly installments through January 1, 2020 with an interest rate of 3.92% at December 31, 2016	30,000	
Financing agreement payable in installments through July 1, 2017 with an interest rate of 3.00% at December 31, 2016	534	1,247
Lease obligations payable in installments through 2019 with a weighted average interest rate of 3.10% at December 31, 2016 and 3.09% December 31, 2015	1,958	2,507
<b>Total</b>	<b>159,565</b>	<b>168,754</b>
Less current maturities	10,386	1,335
<b>Long-term portion</b>	<b>\$ 149,179</b>	<b>\$ 167,419</b>

The maturities of long-term debt are as follows:

	<b>December 31, 2016</b>
2017	\$ 10,386
2018	9,820
2019	9,734
2020	129,625
2021	
2022 and thereafter	
<b>Total</b>	<b>\$ 159,565</b>

**Borrowings***United States*

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 modifies the Amended and Restated Credit Agreement which had a maximum revolving credit line of \$275,000. The Second Amendment reduces the permitted

revolving credit borrowings to \$195,000 and provides for additional term loan borrowing of \$30,000. The term loan will be 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 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. 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. At December 31, 2016, the Company was in compliance with the covenants in the Second Amendment.

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.

At December 31, 2016 and 2015, the Company had outstanding letters of credit of approximately \$425 and \$526, respectively.

#### *United Kingdom*

A subsidiary of the Company has a credit facility with NatWest Bank for its United Kingdom operations that includes an overdraft availability of £1,500 pounds sterling (approximately \$1,852 at December 31, 2016). This credit facility supports the United Kingdom's working capital requirements and is collateralized by substantially all of the assets of its United Kingdom operations. The interest rate on this facility is the financial institution's base rate plus 2.50%. Outstanding performance bonds reduce availability under this credit facility. There were no outstanding borrowings under this credit facility at December 31, 2016, however, there were \$202 in outstanding guarantees (as defined in the underlying agreement) at December 31, 2016. This credit facility was renewed and amended during the fourth quarter of 2016 with all underlying terms and conditions remaining unchanged as a result of the renewal. It is the Company's intention to renew this credit facility with NatWest Bank during the annual review in 2017.

The United Kingdom loan agreements contain certain financial covenants that require the subsidiary to maintain senior interest and cash flow coverage ratios. The subsidiary was in compliance with these financial covenants at December 31, 2016 and 2015. The subsidiary had available borrowing capacity of \$1,650 and \$2,194 at December 31, 2016 and 2015, respectively.

#### **Note 11.**

#### **Stockholders' Equity**

The Company had authorized shares of 20,000,000 in common stock with 11,115,779 shares issued at December 31, 2016 and 2015. The common stock has a par value of \$0.01 per share and the Company paid dividends of \$0.04 per share for each of the first three quarters of 2016 and suspended the dividend during the fourth quarter of 2016.

At December 31, 2016 and 2015, the Company had authorized shares of 5,000,000 in preferred stock. No preferred stock has been issued. No par value has been assigned to the preferred stock.

On December 4, 2013, the Company's Board of Directors authorized the purchase of up to \$15,000 in shares of its common stock through a share repurchase program at prevailing market prices or privately negotiated transactions. The Company repurchased 80,512 shares, for an aggregate price of \$1,587, during 2015 under the repurchase program. 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 and replaces the prior authorization. The Second Amendment limits the amount of common shares that the Company can repurchase at this time. The Company repurchased 5,000 shares, for an aggregate price of \$67, during 2016 under the repurchase program.

At December 31, 2016 and 2015, the Company withheld 20,186 and 25,340 shares for approximately \$275 and \$1,114, respectively, from employees to pay their withholding taxes in connection with the exercise and/or vesting of stock options and restricted stock awards.

Cash dividends of \$1,244, \$1,656 and \$1,345 were declared and paid in 2016, 2015, and 2014, respectively.

Share Activity	Common Stock	
	Treasury	Outstanding
	(Number of Shares)	
Balance at end of 2013	927,258	10,188,521
Issued for share-based compensation plans	(53,884)	53,884
Balance at end of 2014	873,374	10,242,405
Issued for share-based compensation plans	(59,113)	59,113
Repurchased common shares	80,512	(80,512)
Balance at end of 2015	894,773	10,221,006
Issued for share-based compensation plans	(96,619)	96,619
Repurchased common shares	5,000	(5,000)
Balance at end of 2016	803,154	10,312,625

#### Note 12.

#### Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss, net of tax, for the years ended December 31, 2016 and 2015, are as follows:

	2016	2015
Pension and post-retirement benefit plan adjustments	\$ (4,439)	\$ (3,069)
Unrealized loss on interest rate swap contracts	(204)	(121)
Foreign currency translation adjustments	(20,646)	(14,750)
	\$ (25,289)	\$ (17,940)

Foreign currency translation adjustments are generally not adjusted for income taxes as they relate to indefinite investments in non U.S. subsidiaries. See Note 14 Income Taxes.

**Note 13.****Earnings Per Common Share**

(Share amounts in thousands)

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

	2016	2015	2014
Numerator for basic and diluted (loss) earnings per common share -			
(Loss) income available to common stockholders:			
Net (loss) income	\$ (141,660)	\$ (44,445)	\$ 25,656
Denominator:			
Weighted average shares outstanding	10,273	10,254	10,225
Denominator for basic earnings per common share			
	10,273	10,254	10,225
Effect of dilutive securities:			
Employee stock options			6
Other stock compensation plans			101
Dilutive potential common shares			
			107
Denominator for diluted earnings per common share - adjusted weighted average shares outstanding and assumed conversions			
	10,273	10,254	10,332
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

There were 143 and 130 anti-dilutive shares in 2016 and 2015, respectively. There were no antidilutive shares in 2014.

**Note 14.****Income Taxes**

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

	2016	2015	2014
Domestic	\$ (151,027)	\$ (55,061)	\$ 30,766
Foreign	3,858	4,484	8,294
(Loss) income from operations, before income taxes	\$ (147,169)	\$ (50,577)	\$ 39,060

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

	2016	2015	2014
<b>Current:</b>			
Federal	\$ (9,980)	\$ 5,571	\$ 11,488
State	(487)	1,540	1,491
Foreign	1,583	1,339	3,339
<b>Total current</b>	<b>(8,884)</b>	<b>8,450</b>	<b>16,318</b>
<b>Deferred:</b>			
Federal	2,555	(12,016)	(2,321)
State	706	(2,014)	(122)
Foreign	114	(552)	(471)
<b>Total deferred</b>	<b>3,375</b>	<b>(14,582)</b>	<b>(2,914)</b>
<b>Total income tax (benefit) expense</b>	<b>\$ (5,509)</b>	<b>\$ (6,132)</b>	<b>\$ 13,404</b>

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

	2016		2015		2014	
	Amount	Percent	Amount	Percent	Amount	Percent
Statutory rate	\$ (51,509)	35.0%	\$ (17,702)	35.0%	\$ 13,671	35.0%
Foreign tax rate differential	(485)	0.3	(419)	0.8	(870)	(2.2)
State income taxes, net of federal benefit	(2,893)	2.0	(159)	0.3	1,065	2.7
Non-deductible goodwill impairment	11,448	(7.8)	12,737	(25.2)		
Non-deductible expenses	262	(0.2)	452	(0.9)	708	1.8
Domestic production activities deduction	700	(0.5)	(507)	1.0	(851)	(2.2)
Change in liability for unrecognized tax	42		(198)	0.4	(327)	(0.8)

Edgar Filing: FOSTER L B CO - Form 10-K/A

Change in permanent reinvestment	7,932	(5.4)				
Change in valuation allowance	29,719	(20.2)				
Other	(725)	0.5	(336)	0.7		8
<b>Total income tax (benefit) expense / Effective rate</b>	<b>\$ (5,509)</b>	<b>3.7%</b>	<b>\$ (6,132)</b>	<b>12.1%</b>	<b>\$ 13,404</b>	<b>34.3%</b>

Significant components of the Company's deferred tax assets and liabilities at December 31, 2016 and 2015 are as follows:

	2016	2015
Deferred tax assets:		
Goodwill and other intangibles	\$ 32,699	\$ 1,354
Pension and post-retirement liability	2,186	1,801
Warranty reserve	3,633	3,153
Deferred compensation	1,227	2,275
Accounts receivable	516	622
Contingent liabilities	2,336	2,087
Long-term insurance reserves	567	655
Net operating loss / tax credit carryforwards	1,384	1,006
Other	1,107	949
<b>Total deferred tax assets</b>	<b>45,655</b>	<b>13,902</b>
Less: valuation allowance	(29,719)	
<b>Net deferred tax assets</b>	<b>15,936</b>	<b>13,902</b>
Deferred tax liabilities:		
Goodwill and other intangibles	\$ (6,087)	\$ (7,155)
Depreciation	(10,586)	(14,134)
Unremitted earnings of foreign subsidiaries	(7,932)	
Inventories	(1,506)	
Investment in LB Pipe joint venture	(756)	(572)
Other	(440)	(741)
<b>Total deferred tax liabilities</b>	<b>(27,307)</b>	<b>(22,602)</b>
<b>Net deferred tax liabilities</b>	<b>\$ (11,371)</b>	<b>\$ (8,700)</b>

Each quarter, management reviews operations and liquidity needs in each jurisdiction to assess the Company's intent to reinvest foreign earnings outside of the United States. In 2016, management determined that cash balances of its Canadian and United Kingdom subsidiaries exceeded our projected capital needs. As a result, we do not intend for \$23,000 of unremitted foreign earnings of our Canadian and United Kingdom subsidiaries to be permanently reinvested outside of the United States and accrued additional deferred U.S. income taxes and foreign withholding taxes of \$7,932.

At December 31, 2016, the Company has not recorded deferred U.S. income taxes or foreign withholding taxes on \$34,841 of undistributed earnings of its foreign subsidiaries. It is management's intent and practice to indefinitely reinvest such earnings outside of the United States. Determination of the amount of any unrecognized deferred income tax liability associated with these undistributed earnings is not practicable because of the complexities of the hypothetical calculation.

A valuation allowance is required to be established or maintained when, based on currently available information and other factors, it is more likely than not that all or a portion of a deferred tax asset will not be realized. The Company

has considered all available evidence, both positive and negative, in assessing the need for a valuation allowance in each jurisdiction.

The negative evidence considered in evaluating U.S. deferred tax assets included cumulative financial losses over the three-year period ended December 31, 2016, the inability to achieve forecasted results in 2016 and 2015, and recent declines in revenue. Positive evidence considered included the composition and reversal patterns of existing taxable and deductible temporary differences between financial reporting and tax, the composition of financial losses, and taxable income available to absorb the carryback of current year taxable losses. Cumulative financial losses over the three-year period ended December 31, 2016 were a significant piece of objective negative evidence, and typically limit a Company's ability to consider other subjective evidence. Based on our evaluation, a valuation allowance of \$29,719 was recorded at December 31, 2016 to recognize only the amount of deferred tax assets more likely than not to be realized. The amount of deferred tax assets considered realizable, however, could be adjusted if objective negative evidence in the form of cumulative financial losses is no longer present, and additional weight is given to subjective evidence such as our projections for growth.

At December 31, 2016 and 2015, the tax benefit of net operating loss carryforwards available for state income tax purposes was \$1,378 and \$324, respectively. The state net operating loss carryforwards will expire in various years through 2036. We believe it is more likely than not that the tax benefit from state operating loss carryforwards will not be realized. In recognition of this risk, we have provided a valuation allowance of \$1,378 against deferred tax assets related to state operating loss carryforwards at December 31, 2016.

The Company has foreign tax credit carryforwards in the amount of \$244 that will expire in 2022 through 2024. We believe it is more likely than not that the tax benefit from foreign tax credit carryforwards will not be realized. In recognition of this risk, we have provided a valuation allowance of \$244 against deferred tax assets related to foreign tax credit carryforwards at December 31, 2016. In addition, the Company has not accrued tax benefits for unborn foreign tax credits that may be available upon repatriation of excess cash by its Canadian and United Kingdom subsidiaries.

At December 31, 2016, the Company has foreign net operating loss carryforwards in Brazil and Germany of \$311 and \$424, respectively, which may be carried forward indefinitely. Both jurisdictions incurred cumulative financial losses over the three-year period ended December 31, 2016 and have projected future taxable losses. We believe it is more likely than not that the tax benefit from these loss carryforwards will not be realized. In recognition of this risk, we have provided a valuation allowance of \$274, collectively, against deferred tax assets in Brazil and Germany at December 31, 2016.

The determination to record or not record a valuation allowance involves management judgement, based on the consideration of positive and negative evidence available at the time of the assessment. Management will continue to assess the realization of its deferred tax assets based upon future evidence, and may record adjustments to valuation allowances against deferred tax assets in future periods, as appropriate, that could materially impact net income.

The following table provides a reconciliation of unrecognized tax benefits at December 31, 2016 and 2015:

	2016	2015
Unrecognized tax benefits at beginning of period:	\$ 582	\$ 1,013
Increases based on tax positions for prior periods	37	147
Decreases related to settlements with taxing authorities		(578)
Balance at end of period	\$ 619	\$ 582

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is \$619 at December 31, 2016. The Company accrues interest and penalties related to unrecognized tax benefits in its provision for income taxes. At December 31, 2016 and 2015, the Company had accrued interest and penalties related to unrecognized tax benefits of \$464 and \$443, respectively. At December 31, 2016, the Company does not expect any material increases or decreases to its unrecognized tax benefits within the next 12 months. Ultimate realization of this decrease is dependent upon the occurrence of certain events, including the completion of audits by tax authorities and expiration of statutes of limitations.

The Company files income tax returns in the United States and in various state, local and foreign jurisdictions. The Company is subject to federal income tax examinations for the period 2013 and forward. With respect to the state, local, and foreign filings, certain entities of the Company are subject to income tax examinations for the periods 2012 and forward.



**Note 15.****Share-based Compensation**

The Company applies the provisions of FASB ASC 718, *Compensation – Stock Compensation*, to account for the Company's share-based compensation. Share-based compensation cost is measured at the grant date based on the calculated fair value of the award and is recognized over the employee's requisite service period. The Company recorded share-based compensation expense of \$1,346, \$1,471 and \$3,007 for the years ended December 31, 2016, 2015, and 2014, respectively, related to fully-vested stock awards, restricted stock awards, and performance unit awards. At December 31, 2016, unrecognized compensation expense for awards the Company expects to vest approximated \$1,550. The Company will recognize this expense over the upcoming 3.7 year period through August 2020.

Shares issued as a result of vested stock-based compensation generally will be from previously issued shares that have been reacquired by the Company and held as Treasury stock or authorized but previously unissued common stock.

The Company realized reductions in excess tax benefits of \$332 for the year ended December 31, 2016 and excess tax benefits for the tax deduction from share-based compensation of \$253 and \$336 for the years ended December 31, 2015 and 2014, respectively. This excess tax benefit is included in cash flows from financing activities in the Consolidated Statements of Cash Flows.

At December 31, 2016, the Company had stock awards issued pursuant to the 2006 Omnibus Incentive Plan, as amended and restated in May 2016 ( *Omnibus Plan* ). The Omnibus Plan allows for the issuance of 1,270,000 shares of common stock through the granting of stock options or stock awards (including performance units convertible into stock) to key employees and directors at no less than 100% of fair market value on the date of the grant. The Omnibus Plan provides for the granting of nonqualified options with a duration of not more than ten years from the date of grant. The Omnibus Plan also provides that, unless otherwise set forth in the option agreement, stock options are exercisable in installments of up to 25% annually beginning one year from the date of grant. No stock options have been granted under the Omnibus Plan and, as such, there was no share-based compensation expense related to stock options recorded in 2016, 2015, or 2014.

*Stock Option Awards*

No stock options were outstanding during the year ended December 31, 2016. Certain information for the years ended December 31, 2015 and 2014 relative to employee stock options is summarized as follows:

	2015	2014
Number of shares under the plans:		
Outstanding and exercisable at beginning of year	7,500	18,750
Granted		
Canceled		
Exercised	(7,500)	(11,250)
Outstanding and exercisable at end of year		7,500

The weighted average exercise price per share of the stock options exercised in 2015 and 2014 were \$9.08, and \$11.67, respectively. The total intrinsic value of stock options exercised during the years ended December 31, 2015 and 2014 was \$253 and \$426, respectively.

*Fully-Vested Stock Awards*

Non-employee directors are automatically awarded fully vested shares of the Company's common stock on each date the non-employee directors are elected at the annual shareholders' meeting to serve as directors.

The non-employee directors were granted a total of 59,598, 14,000, and 10,182 fully-vested shares for the years ended December 31, 2016, 2015, and 2014, respectively. Compensation expense recorded by the Company related to fully-vested stock awards to non-employee directors was approximately \$698, \$534, and \$488 for the years ended December 31, 2016, 2015, and 2014, respectively.

The weighted average fair value of all the fully-vested stock grants awarded was \$11.72, \$38.15, and \$47.94 per share for 2016, 2015, and 2014, respectively.

## Restricted Stock Awards and Performance Unit Awards

Under the 2006 Omnibus Plan, the Company grants eligible employees restricted stock and performance unit awards. The forfeitable restricted stock awards granted prior to March 2015 generally time-vest after a four-year period, and those granted subsequent to March 2015 generally time-vest ratably over a three-year period, unless indicated otherwise by the underlying restricted stock agreement. Performance unit awards are offered annually under separate three-year long-term incentive programs. 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 program. If the Company's estimate of the number of performance stock awards expected to vest changes in a subsequent accounting period, cumulative compensation expense could increase or decrease. The change will be recognized in the current period for the vested shares and would change future expense over the remaining vesting period.

The following table summarizes the restricted stock award and performance unit award activity for the three-year periods ended December 31, 2016, 2015, and 2014:

	Restricted Stock Units	Performance Stock Units	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2014	129,726	61,651	\$ 34.00
Granted	19,051	34,652	44.07
Vested	(40,540)	(13,588)	34.59
Adjustment for incentive awards not expected to vest		(7,845)	43.59
Canceled		(2,880)	44.13
Outstanding at December 31, 2014	108,237	71,990	\$ 36.25
Granted	29,656	41,114	44.93
Vested	(39,076)	(23,877)	32.35
Adjustment for incentive awards not expected to vest		(53,228)	43.26
Canceled	(5,000)		44.84
Outstanding at December 31, 2015	93,817	35,999	\$ 39.66
Granted	48,283	129,844	12.50
Vested	(56,807)		28.45
Adjustment for incentive awards not expected to vest		(93,103)	24.79
Canceled	(6,021)	(9,050)	18.82
Outstanding at December 31, 2016	79,272	63,690	\$ 21.66

Performance units are subject to forfeiture and will be converted into common stock of the Company based upon the Company's performance relative to performance measures and conversion multiples as defined in the underlying plan. The aggregate fair value in the above table is based upon achieving 100% of the performance targets as defined

in the underlying plan.

Excluding the fully-vested stock awards granted to non-employee directors, the Company recorded share-based compensation expense of \$648, \$937, and \$2,519, respectively, for the periods ended December 31, 2016, 2015, and 2014 related to restricted stock and performance unit awards.

	2016	2015	2014
Number of shares available for future grant:			
Beginning of year	407,307	469,840	513,280
End of year	675,447	407,307	469,840

**Note 16.****Retirement Plans**

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

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

*United States Defined Benefit Plans*

The following tables present a reconciliation of the changes in the benefit obligation, the fair market value of the assets, and the funded status of the plans, as of December 31, 2016 and 2015:

	2016	2015
<b>Changes in benefit obligation:</b>		
Benefit obligation at beginning of year	\$ 17,759	\$ 18,925
Service cost	36	38
Interest cost	746	742
Actuarial loss (gain)	534	(1,148)
Benefits paid	(834)	(798)
<b>Benefit obligation at end of year</b>	<b>\$ 18,241</b>	<b>\$ 17,759</b>
<b>Change to plan assets:</b>		
Fair value of assets at beginning of year	\$ 14,235	\$ 15,205
Actual gain (loss) on plan assets	779	(172)
Employer contribution		
Benefits paid	(834)	(798)
<b>Fair value of assets at end of year</b>	<b>14,180</b>	<b>14,235</b>
<b>Funded status at end of year</b>	<b>\$ (4,061)</b>	<b>\$ (3,524)</b>
<b>Amounts recognized in the consolidated balance sheet consist of:</b>		
Other long-term liabilities	\$ (4,061)	\$ (3,524)
<b>Amounts recognized in accumulated other comprehensive income consist of:</b>		

Net loss	\$ 4,186	\$ 3,993
----------	----------	----------

The actuarial loss included in accumulated other comprehensive loss that will be recognized in net periodic pension cost during 2017 is \$130, before taxes.

Net periodic pension costs for the three years ended December 31, 2016 are as follows:

	2016	2015	2014
Components of net periodic benefit cost:			
Service cost	\$ 36	\$ 38	\$ 23
Interest cost	746	742	771
Expected return on plan assets	(717)	(816)	(968)
Amortization of prior service cost		3	1
Recognized net actuarial loss	276	275	65
Net periodic pension cost (income)	\$ 341	\$ 242	\$ (108)

The weighted average assumptions in the following table represent the rates used to develop the actuarial present value of the projected benefit obligation for the year listed and also the net periodic benefit cost for the following year.

	2016	2015	2014
Discount rate	4.3%	4.3%	4.0%
Expected rate of return on plan assets	5.2%	5.2%	5.5%

The expected long-term rate of return is based on numerous factors including the target asset allocation for plan assets, historical rate of return, long-term inflation assumptions, and current and projected market conditions. The decline in the expected rate of return on plan assets reflects a shift in the Plans' investment strategy toward a higher focus on fixed income investments.

Amounts applicable to the Company's pension plans with accumulated benefit obligations in excess of plan assets are as follows at December 31:

	2016	2015
Projected benefit obligation	\$ 18,241	\$ 17,759
Accumulated benefit obligation	18,241	17,759
Fair value of plan assets	14,180	14,235

Plan assets consist primarily of various fixed income and equity investments. The Company's primary investment objective is to provide long-term growth of capital while accepting a moderate level of risk. The investments are limited to cash and cash equivalents, bonds, preferred stocks, and common stocks. The investment target ranges and actual allocation of pension plan assets by major category at December 31, 2016 and 2015 are as follows:

Asset Category	Target	2016	2015
Cash and cash equivalents	0 - 10%	5%	9%
Total fixed income funds	25 - 50	33	35

Edgar Filing: FOSTER L B CO - Form 10-K/A

Total mutual funds and equities	50 - 70	62	56
Total		100%	100%

In accordance with the fair value disclosure requirements of FASB ASC 820, Fair Value Measurements and Disclosures, the following assets were measured at fair value on a recurring basis at December 31, 2016 and 2015. Additional information regarding FASB ASC 820 and the fair value hierarchy can be found in Note 18 Fair Value Measurements.

	2016	2015
<b>Asset Category</b>		
Cash and cash equivalents	\$ 660	\$ 1,248
<b>Fixed income funds</b>		
Corporate bonds	4,767	4,926
<b>Total fixed income funds</b>	4,767	4,926
<b>Equity funds and equities</b>		
Mutual funds	8,753	8,061
Common stock		
<b>Total mutual funds and equities</b>	8,753	8,061
<b>Total</b>	\$ 14,180	\$ 14,235

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

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

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

The Company currently does not anticipate contributions to its United States defined benefit plans in 2017.

The following benefit payments are expected to be paid:

	Pension Benefits
2017	\$ 894
2018	905
2019	972
2020	1,013
2021	1,078
Years 2022-2026	5,647



*United Kingdom Defined Benefit Plan*

The Portec Rail Products (UK) Limited Pension Plan covers certain current employees, former employees, and retirees. The plan has been frozen to new entrants since April 1, 1997 and also covers the former employees of a merged plan after January 2002. Benefits under the plan were based on years of service and eligible compensation during defined periods of service. Our funding policy for the plan is to make minimum annual contributions required by applicable regulations.

The funded status of the United Kingdom defined benefit plan at December 31, 2016 and 2015 is as follows:

	2016	2015
<b>Changes in benefit obligation:</b>		
Benefit obligation at beginning of year	\$ 7,862	\$ 8,797
Interest cost	259	295
Actuarial (gain) loss	1,532	(416)
Benefits paid	(273)	(339)
Foreign currency exchange rate changes	(1,276)	(475)
<b>Benefit obligation at end of year</b>	<b>\$ 8,104</b>	<b>\$ 7,862</b>
<b>Change to plan assets:</b>		
Fair value of assets at beginning of year	\$ 6,661	\$ 6,757
Actual gain on plan assets	265	307
Employer contribution	253	302
Benefits paid	(273)	(339)
Foreign currency exchange rate changes	(1,080)	(366)
<b>Fair value of assets at end of year</b>	<b>5,826</b>	<b>6,661</b>
<b>Funded status at end of year</b>	<b>\$ (2,278)</b>	<b>\$ (1,201)</b>
Amounts recognized in the consolidated balance sheet consist of:		
Other long-term liabilities	\$ (2,278)	\$ (1,201)
Amounts recognized in accumulated other comprehensive income consist of:		
Net loss	\$ 2,015	\$ 706
Prior service cost	53	85
	<b>\$ 2,068</b>	<b>\$ 791</b>

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

Edgar Filing: FOSTER L B CO - Form 10-K/A

	2016	2015	2014
Components of net periodic benefit cost:			
Interest cost	\$ 259	\$ 295	\$ 360
Expected return on plan assets	(290)	(324)	(370)
Amortization of transition obligation			(50)
Amortization of prior service cost	17	27	30
Recognized net actuarial loss	275	225	185
Net periodic pension cost	\$ 261	\$ 223	\$ 155

The weighted average assumptions in the following table represent the rates used to develop the actuarial present value of the projected benefit obligation for the year listed and also the net periodic benefit cost for the following year.

	2016	2015	2014
Discount rate	2.7%	4.0%	3.6%
Expected rate of return on plan assets	4.4%	5.2%	5.0%

Amounts applicable to the Company's pension plans with accumulated benefit obligations in excess of plan assets are as follows at December 31:

	2016	2015
Projected benefit obligation	\$ 8,104	\$ 7,862
Accumulated benefit obligation	8,104	7,862
Fair value of plan assets	5,826	6,661

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

Plan assets are invested by the trustees in accordance with a written statement of investment principles. This statement permits investment in equities, corporate bonds, United Kingdom government securities, commercial property, and cash, based on certain target allocation percentages. Asset allocation is primarily based on a strategy to provide steady growth without undue fluctuations. The target asset allocation percentages for 2016 are as follows:

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

Plan assets held within the Portec Rail Plan consist of cash and marketable securities that have been classified as Level 1 of the fair value hierarchy. All other plan assets have been classified as Level 2 of the fair value hierarchy.

The plan assets by category for the two years ended December 31, 2016 and 2015 are as follows:

Asset Category	2016	2015
Cash and cash equivalents	\$ 707	\$ 242
Equity securities	2,617	2,656
Bonds	1,347	1,301
Other	1,155	2,462

Total	\$ 5,826	\$ 6,661
-------	----------	----------

United Kingdom regulations require trustees to adopt a prudent approach to funding required contributions to defined benefit pension plans. The Company anticipates making contributions of \$231 to the Portec Rail Plan during 2017.

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

	Pension Benefits
2017	\$ 219
2018	238
2019	252
2020	268
2021	274
Years 2022-2026	1,750

*Other Post-Retirement Benefit Plan*

Rail Technologies operation near Montreal, Quebec, Canada, maintains a post-retirement benefit plan, which provides retiree life insurance, health care benefits, and, for a closed group of employees, dental care. Retiring employees with a minimum of 10 years of service are eligible for the plan benefits. The plan is not funded. Cost of benefits earned by employees is charged to expense as services are rendered. The expense related to this plan was not material for 2016 or 2015. Rail Technologies accrued benefit obligation was \$909 and \$823 as of December 31, 2016 and 2015, respectively. This obligation is recognized within other long-term liabilities. Benefit payments anticipated for 2017 are not material.

The weighted average assumptions in the following table represent the rates used to develop the actuarial present value of the projected benefit obligation for the year listed and also the net periodic benefit cost for the following year.

	2016	2015
Discount rate	4.0%	4.2%
Weighted average health care trend rate	5.1%	5.0%

The weighted average health care rate trends downward to an ultimate rate of 4.4% in 2035.

*Defined Contribution Plans*

The Company sponsors eight defined contribution plans for hourly and salaried employees across our domestic and international facilities. The following table summarizes the expense associated with the contributions made to these plans.

	Twelve Months Ended December 31,		
	2016	2015	2014
United States	\$ 1,813	\$ 2,434	\$ 2,425
Canada	225	226	227
United Kingdom	376	494	158
	\$ 2,414	\$ 3,154	\$ 2,810



**Note 17.****Rental and Lease Information**

The Company has capital and operating leases for certain plant facilities, office facilities, and equipment. Rental expense for the years ended December 31, 2016, 2015, and 2014 amounted to \$4,864, \$4,611, and \$3,062, respectively. Generally, land and building leases include escalation clauses.

The following is a schedule, by year, of the future minimum payments under capital and operating leases, together with the present value of the net minimum payments at December 31, 2016:

Year ending December 31,	Capital Leases	Operating Leases
2017	\$ 626	\$ 4,292
2018	589	2,883
2019	503	2,109
2020	240	1,784
2021		1,511
2022 and thereafter		6,538
<b>Total minimum lease payments</b>	<b>1,958</b>	<b>\$ 19,117</b>
Less amount representing interest	114	
<b>Total present value of minimum payments with interest rates ranging from 2.95% to 4.25%</b>	<b>\$ 1,844</b>	

Assets recorded under capital leases are as follows for the years ended December 31, 2016 and 2015:

	2016	2015
Machinery and equipment at cost	\$ 3,152	\$ 3,157
Less accumulated amortization	829	450
<b>Net capital lease assets</b>	<b>\$ 2,323</b>	<b>\$ 2,707</b>

**Note 18.****Fair Value Measurements**

The Company determines the fair value of assets and liabilities based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The fair values are based on assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques and the inputs to valuations. The fair value hierarchy is based on whether the inputs to valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources,

while unobservable inputs reflect the Company's own assumptions of what market participants would use. The fair value hierarchy includes three levels of inputs that may be used to measure fair value as described below.

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

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

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

The classification of a financial asset or liability within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

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

Cash equivalents. Included within Cash and cash equivalents are investments in non-domestic term deposits. The carrying amounts approximate fair value because of the short maturity of the instruments.

LIBOR-Based interest rate swaps. 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 will become effective in February 2017 at which point they will effectively convert a portion of the debt from variable to fixed-rate borrowings during the term of the swap contract. The fair value of the interest rate swaps is based on market-observable forward interest rates and represents the estimated amount that the Company would pay to terminate the agreements. As such, the swap agreements have been classified as Level 2 within the fair value hierarchy.

The following assets of the Company were measured at fair value on a recurring basis subject to the disclosure requirements of ASC 820 at December 31, 2016 and December 31, 2015:

	Fair Value Measurements at Reporting Date Using				Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	December 31, 2016	December 31, 2016	December 31, 2016	December 31, 2016	December 31, 2015	December 31, 2015	December 31, 2015	December 31, 2015
Term deposits	\$ 16	\$ 16	\$	\$	\$ 1,939	\$ 1,939	\$	\$
Total assets	\$ 16	\$ 16	\$	\$	\$ 1,939	\$ 1,939	\$	\$
Interest rate swaps	\$ 334	\$	\$ 334	\$	\$ 196	\$	\$ 196	\$
Total liabilities	\$ 334	\$	\$ 334	\$	\$ 196	\$	\$ 196	\$

Information regarding the fair value disclosures associated with the assets of the Company's defined benefit plans can be found in Note 16 Retirement Plans.

**Note 19.****Commitments and Contingent Liabilities**

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

The following table sets forth the Company's product warranty accrual:

	Warranty Liability
Balance at December 31, 2015	\$ 8,755
Additions to warranty liability	2,524
Warranty liability utilized	(1,125)
Balance at December 31, 2016	\$ 10,154

Included within the above table are concrete tie warranty reserves of approximately \$7,574 and \$7,544, respectively, at December 31, 2016 and 2015. For the periods ended December 31, 2016, 2015, and 2014, the Company recorded approximately \$204, \$972 and \$9,854, respectively, in pre-tax concrete tie warranty charges within Cost of Goods Sold in the Company's Rail Products and Services segment primarily related to concrete ties manufactured at the Company's former Grand Island, NE facility. During the year ended December 31, 2016, the Company recorded approximately \$1,224 in pre-tax warranty charges within Cost of Goods Sold in the Company's Rail Products and Services segment related to transit products project.

**UPRR Warranty Claims**

On July 12, 2011, UPRR notified (the UPRR Notice) the Company and its subsidiary, CXT Incorporated (CXT), of a warranty claim under CXT's 2005 supply contract relating to the sale of pre-stressed concrete railroad ties to UPRR. UPRR asserted that a significant percentage of concrete ties manufactured in 2006 through 2011 at CXT's Grand Island, NE facility failed to meet contract specifications, had workmanship defects and were cracking and failing prematurely. Of the 3.0 million ties manufactured between 1998 and 2011 from the Grand Island, NE facility, approximately 1.6 million ties were sold during the period UPRR had claimed nonconformance. The 2005 contract called for each concrete tie which failed to conform to the specifications or had a material defect in workmanship to be replaced with 1.5 new concrete ties, provided, that, within five years of the sale of a concrete tie, UPRR notified CXT of such failure to conform or such defect in workmanship. The UPRR Notice did not specify how many ties manufactured during this period were defective nor the exact nature of the alleged workmanship defect.

Following the UPRR Notice, the Company worked with material scientists and pre-stressed concrete experts to test a representative sample of Grand Island, NE concrete ties and assess warranty claims for certain concrete ties made in its Grand Island, NE facility between 1998 and 2011. The Company discontinued manufacturing operations in Grand Island, NE in early 2011.

**2012**

During 2012, the Company completed sufficient testing and analysis to further understand this matter. Based upon testing results and expert analysis, the Company believed it discovered conditions, which largely related to the 2006 to

2007 manufacturing period, that can shorten the life of the concrete ties produced during this period. During the fourth quarter of 2012 and first quarter of 2013, the Company reached agreement with UPRR on several matters including a tie rating process for the Company and UPRR to work together to identify, prioritize, and replace defective ties that meet the criteria for replacement. This process applies to the ties the Company shipped to UPRR from its Grand Island, NE facility from 1998 to 2011. During most of this period, the Company's warranty policy for UPRR carried a 5-year warranty with a 1.5:1 replacement ratio for any defective ties. In order to accommodate UPRR and other customer concerns, the Company also reverted to a previously used warranty policy providing a 15-year warranty with a 1:1 replacement ratio. This change provided an additional 10 years of warranty protection. In the amended 2005 supply agreement, the Company and UPRR also extended the supply of Tucson ties by five years and agreed on a cash payment of \$12,000 to UPRR as compensation for concrete ties already replaced by UPRR during the investigation period.

During 2012, as a result of the testing that the Company conducted on concrete ties manufactured at its former Grand Island, NE facility and the developments related to UPRR and other customer matters, the Company recorded pre-tax

warranty charges of \$22,000 in Cost of Goods Sold within its Rail Products and Services segment based on the Company's estimate of the number of defective concrete ties that will ultimately require replacement during the applicable warranty periods.

### 2013

Throughout 2013, at UPRR's request and under the terms of the amended 2005 supply agreement, the Company provided warranty replacement concrete ties for use across certain UPRR subdivisions. The Company attempted to reconcile the quantity of warranty claims for ties replaced and obtain supporting detail for the ties removed. The Company believes that UPRR did not replace concrete ties in accordance with the amended agreement and has not furnished adequate documentation throughout the replacement process in these subdivisions to support its full warranty claim. Based on the information received by the Company to date, the Company believes that a significant number of ties which UPRR replaced in these subdivisions did not meet the criteria to be covered as warranty replacement ties under the amended 2005 supply agreement. The disagreement related to the 2013 warranty replacement activity includes approximately 170,000 ties where the Company provided detailed documentation supporting our position with reason codes that detail why these ties are not eligible for a warranty claim.

In late November 2013, the Company received notice from UPRR asserting a material breach of the amended 2005 supply agreement. UPRR's notice asserted that the failure to honor its claims for warranty ties in these subdivisions was a material breach. Following receipt of this notice, the Company provided information to UPRR to refute UPRR's claim of breach and included the reconciliation of warranty claims supported by substantial findings from the Company's track observation team, all within the 90-day cure period. The Company also proposed further discussions to reach agreement on reconciliation for 2013 replacement activities and future replacement activities and a recommended process that will ensure future replacement activities are done with appropriate documentation and per the terms of the amended 2005 supply agreement.

### 2014

During the first quarter of 2014, the Company further responded within the 90-day cure period to UPRR's claim and presented a reconciliation for the subdivisions at issue. This proposed reconciliation was based on empirical data and visual observation from Company employees that were present during the replacement process for a substantial majority of the concrete ties replaced. The Company spent considerable time documenting facts related to concrete tie condition and track condition to assess whether the ties replaced met the criteria to be eligible for replacement under the terms of the amended 2005 supply agreement.

During 2014, the Company increased its accrual by an additional \$8,766 based on revised estimates of ties to be replaced based upon scientific testing and other analysis, adjusted for ties already provided to UPRR. The Company continued to work with UPRR to identify, replace, and reconcile defective ties related to the warranty claim in accordance with the amended 2005 supply agreement. The Company and UPRR met during the third quarter of 2014 to evaluate each other's position in an effort to work towards agreement on the unreconciled 2013 and 2014 replacement activity as well as the standards and practices to be implemented for future replacement activity and warranty tie replacement.

In November and December of 2014, the Company received additional notices from UPRR asserting that ties manufactured in 2000 were defective and again asserting material breaches of the amended 2005 supply agreement relating to warranty tie replacements as well as certain new ties provided to UPRR being out of specification.

At December 31, 2014, the Company and UPRR had not been able to reconcile the disagreement related to the 2013 and 2014 warranty replacement activity. The disagreement relating to the 2014 warranty replacement activity includes approximately 90,100 ties that the Company believes are not warranty-eligible.

2015

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 under concrete tie rating guidelines and procedures agreed to in 2012 and incorporated by amendment to the 2005 supply agreement rated 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.

In June 2015, UPRR delivered an additional notice alleging deficiencies in certain ties produced in the Company's Tucson and Spokane locations and other claimed material breaches which the Company contends are unfounded. The Company again responded to UPRR that it was not in material breach of the amended 2005 supply agreement relating to warranty tie replacements and that the ties in question complied with the specifications provided by UPRR.

On June 16 and 17, 2015, UPRR issued formal notice of the termination of the concrete tie supply agreement as well as the termination of the lease agreement at the Tucson, AZ production facility and rejection and revocation of its prior acceptance of certain ties manufactured at the Company's Spokane, WA production facility. Since that time, UPRR has discontinued submitting purchase orders to the Company for shipment of warranty replacement ties.

On May 29, 2015, the Company and CXT filed an Answer, Affirmative Defenses and Counterclaims in response to the Complaint, denying liability to UPRR. As a result of UPRR's subsequent June 16-17, 2015 actions and certain related conduct, the Company on October 5, 2015 amended the pending Answer, Affirmative Defenses and Counterclaims to add, among other things, assertions that UPRR's conduct in question was wrongful and unjustified and constituted additional grounds for the affirmative defenses to UPRR's claims and also for the Company's counterclaims.

#### 2016 - 2017

By Scheduling Order dated June 29, 2016, an August 31, 2017 deadline for the completion of fact discovery was established with trial to proceed at some future date after October 30, 2017, and UPRR filed an amended notice of trial to commence on October 30, 2017. Subsequently, by Second Amended Scheduling Order dated February 22, 2017, a March 30, 2018 deadline for completion of discovery has been established with trial to proceed at some future date after June 1, 2018. During 2016 and the first three months of 2017, 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.

As a result of the preliminary status of the litigation and the uncertainty of any potential judgment, an estimate of any additional loss, or a range of loss, associated with this litigation cannot be made based upon currently available information.

*Other Legal Matters*

In September 2015, the Company was notified of a collective action complaint by current and former test and inspection services employees to recover unpaid overtime wages and other damages under the Fair Labor Standards Act. The parties commenced court-ordered mediation on October 17, 2016. In December 2016, the Company reached an agreement in principle to settle the claim for \$900 and no admission of liability, subject to negotiation of a settlement agreement and approval by the court, which is expected to occur in the first half of 2017. For the year ended December 31, 2016, the Company recorded within Selling and administrative expenses in the Company's Tubular and Energy Services segment a pre-tax charge of approximately \$900 related to the anticipated settlement of this claim.

In December 2016, the Company recorded a pre-tax warranty charge within Cost of Goods Sold within its Rail Products and Services segment of approximately \$1,224 with respect to allegedly defective products provided in connection with a transit project. The Company intends to pursue recovery through its supply chain with respect to product cost and labor charges.

The Company is also subject to other legal proceedings and claims that arise in the ordinary course of its business. The amounts currently reserved are immaterial to our financial position and liquidity and the estimate of additional loss exposure is immaterial to our results of operations.

### *Environmental Matters*

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

The following table sets forth the Company's undiscounted environmental obligation:

	Environmental liability	
Balance at December 31, 2015	\$	6,640
Additions to environmental obligations		379
Environmental obligations utilized		(749)
Balance at December 31, 2016	\$	6,270

### **Note 20.**

#### **Other Income**

The following table summarizes the Company's other income for the three years ended December 31, 2016, 2015, and 2014.

	2016	2015	2014
Gain on Tucson, AZ asset sale (a)	\$	\$ (2,279)	\$
Foreign currency losses (gains)	12	(1,616)	(422)
Remeasurement gain on equity method investment (b)		(580)	
Legal settlement gain (c)		(460)	
Other	(1,535)	(650)	(256)
	\$ (1,523)	\$ (5,585)	\$ (678)

- a) On December 23, 2015, the Company sold certain assets related to the former Tucson, AZ precast concrete tie facility for \$2,750 resulting in a pre-tax gain on sale of \$2,279.
- b) On November 23, 2015, the Company acquired the remaining 75% of shares of Tew Plus resulting in a gain of \$580, which is recorded within other income as of December 31, 2015. The gain is included in equity loss (income) and remeasurement gain within the Consolidated Statements of Cash Flows.
- c)

During the fourth quarter of 2015 the Company received \$460 from the Steel Antitrust Settlement Fund related to a claim regarding steel purchased by the Company between 2005 and 2007.

**Note 21.****Quarterly Financial Information (Unaudited)**

As more fully described in Note 3, Acquisitions, the Company acquired Tew, Tew Plus, and IOS during 2015. The results of the subsidiary's operations are included from the acquisition dates.

Quarterly financial information for the years ended December 31, 2016 and 2015 is presented below:

	2016			
	First Quarter	Second Quarter (1)	Third Quarter (2)	Fourth Quarter (3)
Net sales	\$ 126,310	\$ 135,994	\$ 114,644	\$ 106,566
Gross profit	\$ 23,960	\$ 27,813	\$ 19,803	\$ 18,779
Net loss	\$ (2,832)	\$ (91,996)	\$ (5,982)	\$ (40,851)
Basic loss per common share	\$ (0.28)	\$ (8.96)	\$ (0.58)	\$ (3.97)
Diluted loss per common share	\$ (0.28)	\$ (8.96)	\$ (0.58)	\$ (3.97)
Dividends paid per common share	\$ 0.04	\$ 0.04	\$ 0.04	\$

Differences between the sum of quarterly results and the Consolidated Statements of Operations are due to rounding.

- (1) - Second quarter 2016 includes \$128,938 impairment of assets related to the Chemtec, Protective Coatings, IOS and Rail Technologies product groups.
- (2) - Third quarter 2016 includes \$6,946 related to the finalization of the impairment analysis of the Chemtec and Rail Technologies product groups.
- (3) - Fourth quarter 2016 includes deferred U.S. income taxes and foreign withholding taxes of \$7,932 on unremitted foreign earnings and a valuation allowance of \$29,719 against deferred tax assets.

	2015			
	First Quarter	Second Quarter	Third Quarter (1)	Fourth Quarter (2)
Net sales	\$ 137,907	\$ 171,419	\$ 176,059	\$ 139,138
Gross profit	\$ 30,653	\$ 37,089	\$ 36,038	\$ 29,872
Net income (loss)	\$ 4,285	\$ 5,362	\$ (57,422)	\$ 3,328
Basic earnings (loss) per common share	\$ 0.42	\$ 0.52	\$ (5.60)	\$ 0.33
Diluted earnings (loss) per common share	\$ 0.41	\$ 0.52	\$ (5.60)	\$ 0.32
Dividends paid per common share	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04

- (1) - Third quarter 2015 includes \$80,337 impairment of goodwill related to the IOS and Chemtec reporting units.
- (2) - Fourth quarter 2015 includes \$2,279 pre-tax gain on sale of Tucson, AZ concrete tie facility.

**PART IV**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

The following documents are filed as a part of this Report:

*(a)(1). Financial Statements*

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

Reports of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets as of December 31, 2016 and 2015.

Consolidated Statements of Operations for the Years Ended December 31, 2016, 2015, and 2014.

Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2016, 2015, and 2014.

Consolidated Statements of Cash Flows for the Years Ended December 31, 2016, 2015, and 2014.

Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2016, 2015, and 2014.

Notes to Consolidated Financial Statements.

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

Schedules for the Years Ended December 31, 2016, 2015, and 2014:

II Valuation and Qualifying Accounts.

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

*(a)(3). Exhibits*

The Index to Exhibits immediately following the signature page is filed as part of this Amended Annual Report on Form 10-K/A.

## L. B. FOSTER COMPANY AND SUBSIDIARIES

## SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014

	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions (1)	Balance at End of Year
<b>2016</b>				
Deducted from assets to which they apply:				
Allowance for doubtful accounts	\$ 1,485	\$ 982	\$ 1,050	\$ 1,417
Valuation allowance for deferred tax assets	\$	\$ 29,719	\$	\$ 29,719
<b>2015</b>				
Deducted from assets to which they apply:				
Allowance for doubtful accounts	\$ 1,036	\$ 1,113	\$ 664	\$ 1,485
<b>2014</b>				
Deducted from assets to which they apply:				
Allowance for doubtful accounts	\$ 1,099	\$ 462	\$ 525	\$ 1,036

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

INDEX TO EXHIBITS

All exhibits are incorporated herein by reference:

- \*23 Consent of Independent Registered Public Accounting Firm.
- \*31.1 Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
- \*31.2 Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
- \*32.0 Certification of Chief Executive Officer and Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002.

\* Exhibits are filed herewith.

**SIGNATURES**

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

L.B. FOSTER COMPANY

Date: March 13, 2017

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

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

<b>Name</b>	<b>Position</b>	<b>Date</b>
By: /s/ Robert P. Bauer (Robert P. Bauer)	President, Chief Executive Officer and Director	March 13, 2017
By: /s/ David J. Russo (David J. Russo)	Senior Vice President, Chief Financial Officer  and Treasurer	March 13, 2017