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

FORM 8-K/A
(Amendment No. 2)

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) May 22, 2015 (March 13, 2015)

L.B. Foster Company
(Exact name of registrant as specified in its charter)

Pennsylvania	000-10436	25-1324733
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

415 Holiday Drive, Pittsburgh, Pennsylvania	15220
(Address of principal executive offices)	(Zip Code)

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

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

EXPLANATORY NOTE

As previously announced and reported in the Current Report on Form 8-K ("the Original Filing") filed by L.B. Foster Company (the "Company") on March 13, 2015, the Company completed the acquisition of IOS Holdings, Inc. ("IOS") on March 13, 2015.

This Form 8-K/A, Amendment No. 2, is being filed to amend Item 9.01 of the Original Filing. This Amendment No. 2 provides the audited consolidated historical financial statements as of December 31, 2013, and for the year ended December 31, 2013 and the unaudited consolidated interim historical financial statements as of September 30, 2014 and for the nine months ended September 30, 2014 and 2013 of IOS as required by Item 9.01(a) and the unaudited pro forma condensed combined financial information required by Item 9.01(b), of the Company and IOS described below which were not included in the initial Form 8-K filed on March 13, 2015.

Forward-Looking Statements

This Current Report on Form 8-K/A may contain "forward looking" statements. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Sentences containing words such as "believe," "intend," "may," "expect," "should," "could," "anticipate," "plan," "estimate," "predict," "project," or their negatives, or other similar expressions generally should be considered forward-looking statements. The Company cautions readers that various factors could cause the actual results of the Company to differ materially from those indicated by forward-looking statements. Accordingly, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Among the factors that could cause the actual results to differ materially from those indicated in the forward-looking statements are risks and uncertainties related to: an economic slowdown in the markets we serve, the risk of doing business in international markets, a decrease in freight or passenger rail traffic, sustained declines in energy prices, a lack of state or federal funding for new infrastructure projects, increased regulation including conflict minerals, an increase in manufacturing or material costs, our ability to effectuate our strategy including evaluating potential opportunities such as strategic acquisitions, joint ventures, and other initiatives, and our ability to effectively integrate new businesses and realize anticipated benefits, the timeliness and availability of material from major suppliers, labor disputes, the impact of competition, variances in current accounting estimates and their ultimate outcomes, the seasonality of the Company's business, the adequacy of internal and external sources of funds to meet financing needs, the Company's ability to curb its working capital requirements and manage indebtedness, domestic and international income taxes, foreign currency fluctuations, inflation, the ultimate number of concrete ties that will have to be replaced pursuant to product warranty claims, an overall resolution of the related contract claims, the outcome of a lawsuit filed by Union Pacific Railroad as well as a reduction of future business with the Union Pacific Railroad, risk inherent in litigation, and domestic and foreign governmental regulations. Should one or more of these risks or uncertainties materialize, or should the assumptions underlying the forward-looking statements prove incorrect, actual outcomes could vary materially from those indicated. The risks and uncertainties that may affect the operations, performance and results of the Company's business and forward-looking statements include, but are not limited to, those set forth under Item 1A, "Risk Factors" section of our Annual Report on Form 10-K and our other periodic filings with the Securities and Exchange Commission.

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

Item 9.01 Financial Statements and Exhibits

(a) Financial statements of business acquired

The required audited consolidated financial statements of IOS as of and for the year ended December 31, 2013 are attached hereto as Exhibit 99.2 and are incorporated in their entirety herein by reference.

The required unaudited consolidated financial statements of IOS as of September 30, 2014 and for the nine months ended September 30, 2014 and 2013 are attached hereto as Exhibit 99.3 and are incorporated in their entirety herein by reference.

(b) Pro forma financial information

The required unaudited pro forma condensed combined balance sheet as of September 30, 2014, and the unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2014 and for the year ended December 31, 2013 are attached hereto as Exhibit 99.4 and are incorporated in its entirety herein by reference.

(d) The following exhibits are furnished with this report on Form 8-K/A.

Exhibits

2.1	Agreement and Plan of Merger dated March 13, 2015 among IOS Holdings, Inc., L.B. Foster Company, L.B. Foster Raven Merger Company and IOS Holding Company LLC, solely in its capacity as the representative of IOS's shareholders is incorporated herein by reference to that Current Report on Form 8-K/A, filed on March 16, 2015. Exhibits to the Agreement and Plan of Merger identified in the Table of Contents to the Agreement and Plan of Merger and the following schedules are not being filed but will be furnished supplementally to the Securities and Exchange Commission upon request: Schedule 2.02(e)(viii) - Consents and Approvals Schedule 2.02(e)(xi) - Termination of Agreements Schedule 3.01 - Organization and Power Schedule 3.02 - Subsidiaries Schedule 3.03(b) - Authorization; No Breach; Valid and Binding Agreement Schedule 3.04(a) - Capitalization Schedule 3.04(b) - Options Outstanding Schedule 3.06(a) - Absence of Certain Developments; Undisclosed Liabilities Schedule 3.07(a), (b) & (d) - Real Property Schedule 3.09(a) - Contracts and Commitments Schedule 3.10(a) & (b) - Intellectual Property Schedule 3.11 - Litigation Schedule 3.12 - Government Consents Schedule 3.13(a) - Employee Benefit Plans Schedule 3.13(f) - Change in Control Payments or Benefits Schedule 3.14 - Insurance Schedule 3.16(a), (b), (c) & (f) - Environmental Matters Schedule 3.17 - Affiliated Transactions Schedule 3.19 - Brokerage Schedule 3.21 - Customers and Suppliers
10.1	$335,000,000 Amended and Restated Credit Agreement dated March 13, 2015, between Registrant and PNC Bank, N.A., Bank of America, N.A., Wells Fargo Bank, N.A., Citizens Bank of Pennsylvania, and Branch Banking and Trust Company is incorporated herein by reference to that Current Report on Form 8-K/A, filed on March 16, 2015.
23.1	Consent of independent registered public accounting firm.
99.1	Press release dated March 13, 2015 is incorporated herein by reference to that Current Report on Form 8-K, filed on March 13, 2015
99.2	Audited consolidated financial statements of IOS Holdings, Inc. and independent auditors' report, as of and for the year ended December 31, 2013.
99.3	Unaudited condensed consolidated financial statements of IOS Holdings, Inc. as of September 30, 2014 and for the nine months ended September 30, 2014 and 2013.
99.4	Unaudited pro forma combined financial information.

SIGNATURE

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

L.B. FOSTER COMPANY
(Registrant)

Date: May 22, 2015

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

EXHIBIT INDEX

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99.4	Unaudited pro forma combined financial information.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements (Forms S-8 No. 333-65885, 333-81535, 333-60488, 333-135002, 333-159470, and 333-180118) of our report dated April 30, 2014, with respect to the consolidated financial statements of IOS Holdings, Inc. as of and for the year ended December 31, 2013, appearing in this Form 8-K/A of L.B. Foster Company.

/s/ Postlethwaite & Netterville

Postlethwaite & Netterville

Lafayette, Louisiana
May 22, 2015

Exhibit 99.2

IOS HOLDINGS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013

IOS HOLDINGS, INC

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
IOS Holdings, Inc.

We have audited the accompanying consolidated financial statements of IOS Holdings, Inc. (a Delaware corporation) (the Company) and its subsidiaries which comprise the consolidated balance sheet as of December 31, 2013, and the related consolidated statements of operations, changes in stockholder's equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the fair preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of IOS Holdings, Inc. and its subsidiaries as of December 31, 2013, and the results of their consolidated statements of operations, changes in stockholder's equity and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ Postlethwaite & Netterville

Lafayette, Louisiana
April 30, 2014

IOS HOLDINGS, INC.
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2013

ASSETS	
Current assets:	
Cash and cash equivalents	$ 510,731
Accounts receivable, net	20,557,557
Other receivables	348,321
Inventory	760,306
Prepaid expenses and other assets	1,398,544
Total current assets	23,575,459
Property, plant and equipment, net (note 3)	50,571,877
Debt issuance costs	2,308,208
Deposits	50,676
Goodwill (notes 1 and 2)	54,768,270
Intangible assets (notes 1 and 2)	43,617,685
Total assets	$174,892,175
LIABILITIES AND STOCKHOLDER'S EQUITY	
Current liabilities:	
Accounts payable	$ 4,373,014
Accrued expenses and taxes	2,788,273
Current portion of deferred tax liability, net (note 5)	230,771
Current portion of notes payable (note 4)	9,946,888
Total current liabilities	17,338,946
Notes payable, net of current portion (note 4)	98,370,531
Deferred tax liability, net of current portion (note 5)	10,509,939
Total liabilities	126,219,416
Stockholder's equity (note 6):	
Common stock, Class A, par value $100 per share, 280,000 shares authorized; 270,052 shares issued and outstanding	27,052,200
Common stock, Class B, par value $100 per share, 150,000 shares authorized; none issued and outstanding	—
Common stock, Class C, par value $100 per share, 500,000 shares authorized; 111,098 shares issued and outstanding	11,109,800
Additional paid-in-capital (note 7)	12,847,653
Retained earnings (deficit)	(2,336,894)
Total stockholder's equity	48,672,759
Total liabilities and stockholder's equity	$174,892,175

The accompanying notes are an integral part of the consolidated financial statement.

IOS HOLDINGS, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

Revenues	$106,255,960
Operating expenses	
Salary, burden and related expenses (note 7)	48,319,163
Supplies and tools	15,591,385
Depreciation and amortization (note 3)	8,777,471
Other operating expenses	17,796,838
Total operating expenses	90,484,857
Income from operations	15,771,103
Other income (expense)	
Interest expense (note 4)	(10,114,677)
Loss on the sale of assets	(66,621)
Management and board fees (note 9)	(1,215,137)
Acquisition related expenses	(1,313,538)
Total other income (expense), net	(12,709,973)
Income before income taxes	3,061,130
Income tax expense (note 5)	1,791,220
Net income	$ 1,269,910

The accompanying notes are an integral part of the consolidated financial statement.

IOS HOLDINGS, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013

	Common Stock								
	Class A		Class B		Class C		Additional Paid-in Capital	Retained Earnings	Total
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount			
Balance at January 1, 2013	261,984	$26,198,400	—	$ —	111,098	$11,109,800	$10,926,353	$(3,606,804)	$44,627,749
Issuance of stock	8,538	853,800	—	—	—	—	1,646,638	—	2,500,438
Stock option awards (note 7)	—	—	—	—	—	—	274,662	—	274,662
Net Income	—	—	—	—	—	—	—	1,269,910	1,269,910
Balance at December 31, 2013	270,522	$27,052,200	—	$ —	111,098	$11,109,800	$12,847,653	$(2,336,894)	$48,672,759

The accompanying notes are an integral part of the consolidated financial statement.

IOS HOLDINGS, INC.
CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 2013

Operating activities	
Net income	$ 1,269,910
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	8,777,471
Amortization of deferred issuance costs	469,228
Provision for doubtful accounts	98,568
Non-cash compensation	274,662
Deferred income tax expense	1,296,575
Loss on disposal of assets	66,621
Changes in operating assets and liabilities:	
Trade accounts and other receivables	(3,662,023)
Prepaid expenses	453,189
Inventory and other assets	(293,407)
Accounts payable	15,399
Accrued expenses and tax liabilities	(824,810)
Net cash provided by operating activities	7,941,383
Investing activities	
Capital expenditures	(11,795,022)
Acquisition of businesses, net of cash and working capital acquired	(6,262,857)
Net cash used in investing activities	(18,057,879)
Financing activities	
Proceeds from notes payable	13,062,735
Payments of notes payable	(6,023,865)
Debt issuance costs	(533,628)
Proceeds from issuance of stock	2,500,438
Net cash provided by financing activities	9,005,680
Net decrease in cash and cash equivalents	(1,110,816)
Cash and cash equivalents at beginning of year	1,621,547
Cash and cash equivalents at end of year	$ 510,731
Non cash transactions:	
Non-cash note payable, related to OTI transaction	$ 2,600,000
Non-cash in-kind PIK interest	$ 951,823
Supplemental disclosure:	
Interest paid	$ 8,042,267
Income tax paid	$ 325,620

The accompanying notes are an integral part of the consolidated financial statement.

1. Nature of Business and Significant Accounting Policies

Nature of Business

IOS Holdings, Inc. (Holdings) and its wholly-owned subsidiary, IOS Acquisitions, Inc. (Acquisition) (collectively, the Company), were formed on December 2, 2010 and incorporated under the laws of the State of Delaware. On December 27, 2012, the shareholders of IOS Holdings, Inc. exchanged their shares in Holdings for an equal number of membership units in IOS Holding Company, LLC (the Parent). As of December 31, 2013, the Parent owns 97.8% of the outstanding shares of Holdings.

On January 14, 2011, the Company acquired all of the outstanding membership units of IOS/PCI, LLC (IOS/PCI), a Louisiana-based company providing non-destructive testing (NDT), inspection and cleaning services for oil country tubular goods (OCTG) and drill tools, from locations in Louisiana, Texas and Pennsylvania.

On May 31, 2011, the Company acquired all of the outstanding common shares of Mike's Pipe Inspection, Inc. (MPI), a Kansas-based company providing mobile, on-site NDT, inspection and related services on drill tools, drill pipe, casing and other tubular goods, from locations in Kansas, Texas, West Virginia and Pennsylvania.

On September 16, 2011, the Company acquired substantially all of the assets of Don Thorpe, Inc. (DTI), a Texas-based provider of inspection, cleaning and storage services for used tubing.

On January 31, 2012, the Company acquired all of the outstanding membership units of Castronics, LLC (Castronics), a Nebraska-based company providing OCTG threading, repair and storage services to pipe mills, distributors and oil and gas companies operating in the Rocky Mountains and Upper Midwest.

On September 26, 2012, the Company acquired all of the outstanding common shares of Permian NDT, Inc. (Permian), a Texas-based company providing NDT examinations of various metals, ceramics, plastics, fiberglass composites, and concrete used in the transportation, refining, and production of oil and gas products as well as in nuclear, civil infrastructure and defense industries. On December 28, 2012, the Company issued a dividend to its parent company, IOS Holding Company, LLC (Parent), to transfer the common shares of Permian to the Parent. As of December 31, 2013, the Company did not have any equity interest related to Permian and therefore the financial statements presented herein exclude the operations of Permian.

1. Nature of Business and Significant Accounting Policies (continued)

Nature of Business (continued)

On December 27, 2012, the Company acquired all of the outstanding common shares of James Clark Inspections, Inc. (JCI), a Texas-based provider of NDT, inspection and repair services for drill tools, drill pipe and other tubular products and specialty fabrication and machine shop services for a variety of oil and gas customers.

On December 27, 2012, the Company acquired substantially all of the assets of Xxtreme Pipe Services, LLC (Xxtreme), a Texas-based provider of OCTG NDT, inspection, threading, repair and storage services for oil and gas companies, manufacturers and distributors.

On November 1, 2013, the Company acquired all of the outstanding common shares of OTI Operating Inc. (OTI), an Oklahoma-based company providing mobile, on-site NDT, inspection and related services on drill pipe and casing.

Basis of Presentation and Consolidation

The consolidated financial statements include the accounts of IOS Holdings, Inc. and its wholly-owned subsidiary, IOS Acquisitions, Inc., and IOS Acquisitions, Inc.'s wholly owned subsidiaries, IOS/PCI, LLC, Mike's Pipe Inspection, Inc., Castronics, LLC, James Clark Inspections, Inc., and OTI Operating Inc. All material intercompany transactions and balances have been eliminated.

Basis of Accounting

The Company maintains its accounts on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. Nature of Business and Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents are defined by the Company as holdings of highly liquid investments with original maturities of three months or less. The Company periodically maintains cash at financial institutions in excess of federally insured limits. The Company has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Accounts Receivable and Revenue Recognition

Accounts receivable arise in the normal course of business of inspection and related services. The Company ages its trade receivables using the invoice date. The Company has established an allowance for doubtful accounts based upon a progressively increasing reserve percentage corresponding to the age of the receivable. Accounts receivable are written off when the account is deemed uncollectible. As of December 31, 2013, the Company had an allowance for doubtful accounts of approximately $402,000.

Revenues are recognized upon completion of services rendered. As of December 31, 2013, the Company had accrued approximately $1,199,000, of unbilled revenue related to services provided but not yet invoiced.

Goodwill

The Company accounts for goodwill and intangible assets in accordance with ASC 350, *Intangibles – Goodwill and Other* (ASC 350). Goodwill is initially measured as the excess of the cost of an acquired business over the fair value of the identifiable net assets acquired. The Company does not amortize goodwill but rather reviews the carrying value for impairment annually, and whenever an impairment indicator is identified.

The measurement of goodwill impairment requires management to make estimates of cash flows as well as other fair value determinations. If the fair value of the Company's assets and liabilities is less than its book value, an impairment loss is recorded to write down the goodwill to estimated fair value. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. It has been determined that no impairment of goodwill exists as of December 31, 2013.

1. Nature of Business and Significant Accounting Policies (continued)

Intangibles and Other Long-Term Assets

Intangible assets other than goodwill include customer relationships, non-compete agreements and trade names resulting from the acquisitions of IOS/PCI, MPI, Castronics, JCI, Xxtreme, and OTI. The customer relationships, non-compete agreements and trade names were valued based on an independent valuation using the Company's estimate of the future value to be derived from these intangibles under the excess earnings method, the probability adjusted lost cash flows method and the relief from royalty method.

The Company amortizes customer relationships over their estimated useful lives of 15 to 20 years. The Company amortizes non-compete intangibles over their estimated useful lives of 2 to 5 years. The Company amortizes trade names over their estimated useful lives of 1 to 5 years.

The Company evaluates the recoverability of its identifiable intangible assets at least annually or whenever events or changes in circumstances indicate that its intangible assets' carrying amounts may not be recoverable. Such circumstances could include, but are not limited to, a significant decrease in the market value of an asset, a significant adverse change in the extent or manner in which an asset is used, or an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset. The carrying value of an identifiable intangible asset is considered impaired when its carrying value exceeds its fair value. In such an event, an impairment loss is recognized equal to the amount of that excess. The evaluation of intangible asset impairment requires the Company to make assumptions about future cash flows, discounted at a rate commensurate with the risk involved, over the estimated useful life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. It has been determined that no impairment of the identifiable intangible assets exists as of December 31, 2013.

1. Nature of Business and Significant Accounting Policies (continued)

Intangibles and Other Long-Term Assets (continued)

Amortization expense (exclusive of debt issuance costs) was approximately $4,087,545 for the year ended December 31, 2013. Intangible assets consist of the following at December 31, 2013:

	Gross Amount	Accumulated Amortization	Net Balance
Customer relationships	$43,790,000	$4,222,726	$39,567,274
Trade names	1,835,000	967,340	867,660
Non-compete agreements	5,000,000	1,817,249	3,182,751
Total	$50,625,000	$7,007,315	$43,617,685

Debt issuance costs are amortized primarily using the effective interest method over the life of the related debt agreements with a weighted average useful life of 5 years. Amortization of debt issuance costs is recorded in interest expense. As part of the November 2013 acquisition of OTI and related additional financing, the Company added $533,628 of debt issuance costs. Future amortization of these intangibles assets is expected to be as follows over the next five years: 2014, $4,251,756; 2015, $4,180,513; 2016, $3,817,207; 2017, $3,477,745 and 2018, $2,917,204.

Property, Plant, and Equipment

Property, plant and equipment are stated at cost. Expenditures for property and equipment and items that substantially increase the useful lives of existing assets are capitalized at cost and depreciated. Routine expenditures for repairs and maintenance are expensed as incurred. The cost and related accumulated depreciation of property and equipment disposed of are eliminated from the accounts, and any resulting gain or loss is recognized. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the assets capitalized. Depreciation is computed on the straight-line method for financial reporting purposes using the following estimated useful lives:

Buildings and improvements	15 to 30 years
Machinery, equipment and vehicles	2 to 15 years
Furniture and fixtures	2 to 15 years

There was no interest capitalized in the year ended December 31, 2013.

1. Nature of Business and Significant Accounting Policies (continued)

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 existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. The measurement of a deferred tax asset is reduced, if necessary, by a valuation allowance if it is more-likely-than-not that some portion or the entire deferred tax asset will not be realized.

ASC 740, *Income Taxes* (ASC 740), prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return as well as guidance on de-recognition, classification, interest and penalties and financial statement reporting disclosures. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement.

The Company recognizes interest and penalties accrued on any unrecognized tax exposures as a component of income tax expense. The Company does not have any amounts accrued relating to interest and penalties as of December 31, 2013.

Stock Based Compensation

Stock-based compensation expense is based on the estimated grant-date fair value of all stock-based awards, net of an estimated forfeiture rate, over the requisite service period of the awards, which is generally equivalent to the vesting term. Stock-based compensation expense is recorded only for those awards expected to vest. The Company will periodically revise the estimated forfeiture rate if actual forfeitures differ from the estimates.

Excess tax benefits from the exercise of stock options will be recorded as financing cash flows. For the year ended December 31, 2013, no excess tax benefits were reported in the statement of cash flows as the Company was in a net operating loss carryforward position. No stock options were exercised during 2013.

2. Acquisition

On November 1, 2013, the Company acquired all of the outstanding common shares of OTI Operating Inc. (OTI), an Oklahoma-based company providing mobile, on-site NDT, inspection and related services on drill pipe and casing. The Company paid approximately $9.3 million for the purchase of OTI, including consideration of the settlement of amounts post acquisition. Identifiable intangible assets include goodwill of approximately $1 million and other amortizable intangibles, such as trademarks, non-compete agreements and customer relationships, of approximately $4.9 million. The other assets acquired in the transaction included working capital and property, plant and equipment.

3. Property, Plant, and Equipment

As of December 31, 2013, property, plant and equipment consisted of the following:

	Life	
Land and land improvements		$ 5,400,298
Building and leasehold improvements	15 – 30 years	18,069,051
Machinery, equipment, and vehicles	2 – 15 years	34,221,323
Furniture and fixture	2 – 15 years	211,190
Construction in progress		780,634
Total		58,682,496
Less: accumulated depreciation		(8,110,619)
Net property, plant, and equipment		$50,571,877

Property, plant, and equipment are pledged as collateral on notes payable.

4. Notes Payables

As of December 31, 2013, outstanding notes payable consisted of a senior revolving loan (with $2,138,000 drawn), a senior term loan (with an original amount of $57.5 million) and a mezzanine loan (with an original amount of $40.0 million and an amended additional amount of $4.925 million). The Company also had access to a senior capital expenditures loan (with borrowings of $4.7 million). These credit facilities were entered into on December 27, 2012 in connection with the acquisitions of JCI and Xxtreme and the refinancing of the existing credit facilities, and amended on November 1, 2013 in connection with the acquisition of OTI. A summary of the outstanding long-term debt as of December 31, 2013 is as follows:

Senior revolving loan, with maximum borrowings of $7,500,000, payable on demand, monthly interest payments based on a combination of LIBOR plus 4.5% or prime plus 3.5% (as of December 31, 2013, the applicable rate was 6.75%), maturity of December 27, 2017, secured by Company assets.	$ 2,138,000
Senior capital expenditures loan, with original principal amount of $4,700,000, monthly interest payments based on LIBOR plus 4.75% or prime plus 3.75% (as of December 31, 2013, the applicable rate was 5.75%), quarterly principal payments of $235,000 beginning in March 2014, maturity of December 27, 2017, secured by Company assets.	4,700,000
Senior term loan, with original principal amount of $57,500,000, monthly interest payments based on LIBOR plus 4.75% or prime plus 3.75% (as of December 31, 2013, the applicable rate was 7%), quarterly principal payments beginning in March 2013, with amounts ranging from $1,437,000 to $1,796,875, maturity of December 27, 2017, secured by Company assets.	51,750,000
Note payable, financing insurance premiums, payable over 12 months with a maturity of October 1, 2014, with an interest of 3.39%, unsecured.	1,052,016
Note payable, secured by equipment, monthly payment of $5,573, payable over 36 months with a maturity of November 5, 2016, with fixed interest rate of 0.0%.	189,470
Note payable to previous owners of OTI, at fixed rate of 8% per annum, commencing on November 1, 2013, due November 1, 2015, unsecured.	2,600,000
Mezzanine notes, with original principal amount of $40,000,000, monthly interest payments of 12% cash and quarterly variable PIK rate currently at 3.5% at December 31, 2013, no amortization, maturity of June 26, 2018. Interest accruing to principal as of December 31, 2013 was $125,035. Effective November 1, 2013, PIK rate is based on the total leverage calculation at the end of the prior quarter.	45,887,933
Total notes payable	108,317,419
Less: current maturities of notes payable	(9,946,888)
Long-term notes payable	$ 98,370,531

4. Notes Payables (continued)

Maturities on notes payable due in future years as of December 31, 2013 are as follows:

	Year Ending				
	2014	2015	2016	2017	Total
Senior revolving loan	$2,138,000	$ —	$ —	$ —	$ 2,138,000
Senior capex loan	940,000	940,000	940,000	1,880,000	4,700,000
Senior term loan	5,750,000	7,187,500	7,187,500	31,625,000	51,750,000
Note payable (insurance)	1,052,016	—	—	—	1,052,016
Note payable (equipment)	66,872	66,872	55,726	—	189,470
Note payable (OTI)	—	2,600,000	—	—	2,600,000
Mezzanine notes	—	—	—	45,887,933	45,887,933
	$9,946,888	$10,794,372	$8,183,226	$79,392,933	$108,317,419

Also as described above, the Company's considers that the carrying value of the notes payable reflected the estimated fair value as of December 31, 2013.

5. Income Taxes

The Company follows the provisions of ASC Topic 740 which provides for recognition of deferred tax assets and liabilities for deductible temporary timing differences, operating loss carryforwards, and tax credit carryforwards, net of a valuation allowance for any asset for which it is more-likely-than-not will not be realized in the Company's tax return.

The components of deferred income taxes were as follows as of December 31, 2013:

Deferred Tax Liabilities:	
Intangible assets	$ (5,281,340)
Fixed assets	(5,584,338)
Section 481 adjustment	(497,830)
Prepaid expenses	(456,908)
Deferred tax liabilities, total	(11,820,416)
Deferred Tax Assets:	
Net operating loss	252,775
Contributions carryover	12,914
Accrued liabilities and stock compensation	659,184
Bad debt allowance	154,833
Deferred tax assets, total	1,079,706
Deferred tax liability, net	$(10,740,710)

Current tax liability included in accrued expenses as of December 31, 2013 was $406,261. The composition of income tax expense for the year ended December 31, 2013 was as follows:

Current	$ 494,643
Deferred	1,296,577
Income tax expense	$1,791,220

5. Income Taxes (continued)

The reconciliation of elements of income tax expense provided for the year ended December 31, 2013 was as follows:

Amount using statutory rate	$1,040,784
State related income taxes	304,523
Impact of effective rate change on deferred items	(153,130)
Nondeductible costs	175,054
Transaction costs	394,956
Other	29,033
Income tax expense	$1,791,220

As of December 31, 2013, the Company had concluded that there were no material uncertain tax positions. As of the date of this report, the Company has filed the applicable extensions related to its Federal and/or state income tax returns for fiscal year 2013. Federal, state, and local taxing authorities generally have the right to examine and audit the 2011 and 2012 tax returns filed.

6. Stockholder's Equity

IOS Holdings, Inc. (Holdings) has three classes of stock as follows:

Common stock, Class A, par value $100 per share: Holdings has authorized 280,000 shares. As of December 31, 2013, 270,052 shares were issued and outstanding. These are voting shares.

Common stock, Class B, par value $100 per share: Holdings has authorized 150,000 shares. As of December 31, 2013, no shares were issued and outstanding. These are non-voting shares. These shares are used for stock-based compensation awards.

Common stock, Class C par value $100 per share: Holdings has authorized 500,000 shares. As of December 31, 2013, 111,098 shares were issued and outstanding. These are voting shares.

6. Stockholder's Equity (continued)

On December 27, 2012, the shareholders of IOS Holdings, Inc. exchanged their shares in Holdings for an equal number of membership units in IOS Holding Company, LLC (Parent). As of December 31, 2013, the Parent owns 97.8% of the outstanding shares of the Holdings. As described in note 7, stock options have been issued by Holdings.

7. Stock Compensation

During 2011, the Company established the 2011 Equity Incentive Plan (the Stock Option Plan) whereby employees, consultants and directors of the Company and its affiliates are eligible to be granted stock options. As of December 31, 2013, a total of 150,000 authorized shares of the Company's Class B common stock are reserved under the Stock Option Plan. Stock options are granted at exercise prices not less than the fair value of the stock at the date of grant. The Company determines fair value through internal valuations based on historical financial and projected information, and if available, independent valuations of the Company's common shares.

Options vest a) over a service period of 4 years (tenured options) or b) upon meeting certain performance thresholds in a disposition event as defined in the Stock Option Plan agreement (disposition options). Options expire ten years from the date of grant. As of December 31, 2013, the Company had 15,110, tenured options outstanding with strike prices ranging from $100 to $240 per share, which will expire on various dates through 2021. As of December 31, 2013, the Company had 14,110, disposition options outstanding with strike prices ranging from $100 to $240 per share, which will expire on various dates through 2023. No compensation expense is recognized in the financial statements for the disposition options.

The fair value of tenured options is estimated as of the date granted using the Black-Scholes model with the following weighted average assumptions used as of December 31, 2013:

Dividend yield	-0-%
Expected volatility	50.23%
Risk free interest rate	2.15%
Expected life (in years)	10 years

7. Stock Compensation (continued)

For the year ended December 31, 2013, the Company recognized approximately $274,700, of compensation expense related to its stock option program. As of December 31, 2013, there was approximately $638,000, of unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Stock Option Plan. The remaining cost is expected to be recognized over a weighted-average period of 2 years. A summary of the status of the Company's tenured stock options for the year ended December 31, 2013 was follows:

	Number of Shares	Exercise Price Range	Average Exercise Price
Outstanding, January 1, 2013	13,609	$100 - $211.24	$138.03
Granted	1,875	$232.41 - $239.97	$235.43
Forfeited	(374)	$100	$100.00
Exercised	—	—	—
Outstanding, December 31, 2013	15,110		$151.06

8. Concentration Risk

At December 31, 2013, the balance due from the top five customers accounted for approximately $5,218,000 or 32% of the accounts receivable balance, and sales to the top five customers represented approximately $29,500,000 or 43% of the Company's revenues for the year ended December 31, 2013.

Changes in the relationship with any of these customers could materially and adversely affect the Company's financial performance.

9. Related Party Transactions

For the year ended December 31, 2013, the Company paid approximately $548,000, for management fees and reimbursable expenses to a company related to its majority stockholder. The management fee agreement relates to supervisory and business planning services provided to the Company and required the payment of an annual management fee of $475,000 in 2013, plus reimbursement of all reasonable expenses incurred in the performance of such services and transactions. The management agreement will continue until the majority stockholder no longer holds common stock in the Company. For the year ended December 31, 2013, the Company paid $450,000 to a Board Member as part of a contract services agreement entered into with the acquisition of Xxtreme. This agreement was fulfilled in its entirety in 2013.

10. Commitments and Contingencies

Operating Leases. At December 31, 2013, the Company was obligated under various non-cancelable operating leases for a number of properties. Certain leases contain escalation clauses providing for increased rentals if extended. Rent expense for operating leases was approximately $2,936,987 for the year ended December 31, 2013. Future minimum lease payments as of December 31, 2013 were as follows:

2014	$1,201,230
2015	938,110
2016	831,506
2017	676,536
2018	60,512
	$3,707,894

Bonus Compensation Arrangements. Annual discretionary performance bonuses, including those governed by employment agreements with certain members of management, are determined and authorized at the discretion of the Company's Board of Directors.

11. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 30, 2014, and determined that there were no subsequent events requiring disclosure.

Exhibit 99.3

IOS HOLDINGS, INC

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2014 and DECEMBER 31, 2013

TABLE OF CONTENTS

IOS HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 836,212	$ 510,731
Accounts receivable, net	23,528,841	20,557,557
Other receivables	190,080	348,321
Inventory	1,223,570	760,306
Prepaid expenses and other assets	123,570	1,398,544
Deferred tax asset (note 5)	1,276,766	—
Total current assets	27,179,039	23,575,459
Property, plant and equipment, net (note 3)	49,853,577	50,571,877
Debt issuance costs	1,892,267	2,308,208
Deposits	80,768	50,676
Goodwill (notes 1 and 2)	54,807,971	54,768,270
Intangible assets (notes 1 and 2)	40,436,001	43,617,685
Total assets	$174,249,623	$174,892,175
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	$ 2,957,295	$ 4,373,014
Accrued expenses and taxes	6,801,779	2,788,273
Current portion of deferred tax liability, net (note 5)	—	230,771
Current portion of notes payable (note 4)	8,029,578	9,946,888
Total current liabilities	17,788,652	17,338,946
Notes payable, net of current portion (note 4)	92,370,683	98,370,531
Deferred tax liability (note 5)	12,099,452	10,509,939
Total liabilities	122,258,787	126,219,416
Stockholder's equity (note 6):		
Common stock, Class A, par value $100 per share, 280,000 shares authorized; 270,052 shares issued and outstanding	27,052,200	27,052,200
Common stock, Class B, par value $100 per share, 150,000 shares authorized; none issued and outstanding	—	—
Common stock, Class C, par value $100 per share, 500,000 shares authorized; 111,098 shares issued and outstanding	11,109,800	11,109,800
Additional paid-in-capital (note 7)	13,144,391	12,847,653
Retained earnings (deficit)	684,445	(2,336,894)
Total stockholder's equity	51,990,836	48,672,759
Total liabilities and stockholder's equity	$174,249,623	$174,892,175

The accompanying notes are an integral part of the consolidated financial statements.

IOS HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Revenues	$89,921,214	$79,378,203
Operating expenses		
Salary, burden and related expenses (note 7)	40,718,796	35,970,932
Supplies and tools	13,084,307	11,591,261
Depreciation and amortization (note 3)	7,851,016	6,314,121
Other operating expenses	13,602,789	13,505,626
Total operating expenses	75,256,908	67,381,940
Income from operations	14,664,306	11,996,263
Other income (expense)		
Interest expense (note 4)	(8,464,120)	(7,343,837)
Gain (Loss) on the sale of assets	46,091	(55,801)
Management and board fees (note 9)	(615,081)	(935,506)
Acquisition related expenses	(281,664)	(239,236)
Total other expense, net	(9,314,774)	(8,574,380)
Income before income taxes	5,349,532	3,421,883
Income tax expense (note 5)	2,328,193	1,543,556
Net income	$ 3,021,339	$ 1,878,327

The accompanying notes are an integral part of the consolidated financial statements.

IOS HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

	Common Stock								
	Class A		Class B		Class C				
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-in Capital	Retained Earnings	Total
Balance at December 31, 2012	261,984	$26,198,400	—	$ —	111,098	$11,109,800	$10,926,353	$(3,606,804)	$44,627,749
Issuance of stock	—	—	—	—	—	—	—	—	—
Stock option awards (note 7)	—	—	—	—	—	—	205,996	—	205,996
Net Income	—	—	—	—	—	—	—	1,878,327	1,878,327
Balance at September 30, 2013	261,984	$26,198,400	—	$ —	111,098	$11,109,800	$11,132,349	$(1,728,477)	$46,712,072
Balance at December 31, 2013	270,522	$27,052,200	—	$ —	111,098	$11,109,800	$12,847,653	$(2,336,894)	$48,672,759
Issuance of stock	—	—	—	—	—	—	—	—	—
Stock option awards (note 7)	—	—	—	—	—	—	296,738	—	296,738
Net Income	—	—	—	—	—	—	—	3,021,339	3,021,339
Balance at September 30, 2014	270,522	$27,052,200	—	$ —	111,098	$11,109,800	$13,144,391	$ 684,445	$51,990,836

The accompanying notes are an integral part of the consolidated financial statements.

IOS HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine months ended September 30,	
	2014	**2013**
Operating activities		
Net income	$ 3,021,339	$ 1,878,327
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,851,016	6,314,121
Amortization of deferred issuance costs	415,941	336,203
Non-cash compensation	296,738	205,996
Deferred income tax expense	78,368	1,182,887
(Gain) Loss on disposal of assets	(46,091)	55,801
Changes in operating assets and liabilities:		
Trade accounts and other receivables	(2,813,043)	(5,414,617)
Prepaid expenses	1,274,974	1,150,836
Inventory and other assets	(493,356)	(263,271)
Accounts payable	(1,415,719)	1,942,776
Accrued expenses and tax liabilities	5,224,481	188,500
Net cash provided by operating activities	13,394,648	7,577,559
Investing activities		
Capital expenditures	(3,321,197)	(10,539,905)
Acquisition of businesses, net of cash and working capital acquired	(35,996)	—
Net cash used in investing activities	(3,357,193)	(10,539,905)
Financing activities		
Proceeds from notes payable	—	5,918,000
Payments of notes payable	(9,711,974)	(4,312,500)
Net cash (used in) provided by financing activities	(9,711,974)	1,605,500
Net increase (decrease) in cash and cash equivalents	325,481	(1,356,846)
Cash and cash equivalents, beginning of period	510,731	1,621,547
Cash and cash equivalents, end of period	$ 836,212	$ 264,701
Non cash transactions:		
Non-cash in-kind PIK interest	$ 1,211,072	$ 610,927
Non-cash stock issuance	$ 205,996	$ 205,996
Supplemental disclosure:		
Interest paid	$ 6,847,616	$ 5,760,709
Income tax paid	$ 603,675	$ 248,248

The accompanying notes are an integral part of the consolidated financial statements.

UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business and Significant Accounting Policies

Nature of Business

IOS Holdings, Inc. (Holdings) and its wholly-owned subsidiary, IOS Acquisitions, Inc. (Acquisition) (collectively, the Company), were formed on December 2, 2010 and incorporated under the laws of the State of Delaware. On December 27, 2012, the shareholders of IOS Holdings, Inc. exchanged their shares in Holdings for an equal number of membership units in IOS Holding Company, LLC (the Parent). As of September 30, 2014, the Parent owns 97.8% of the outstanding shares of Holdings.

On January 14, 2011, the Company acquired all of the outstanding membership units of IOS/PCI, LLC (IOS/PCI), a Louisiana-based company providing non-destructive testing (NDT), inspection and cleaning services for oil country tubular goods (OCTG) and drill tools, from locations in Louisiana, Texas and Pennsylvania.

On May 31, 2011, the Company acquired all of the outstanding common shares of Mike's Pipe Inspection, Inc. (MPI), a Kansas-based company providing mobile, on-site NDT, inspection and related services on drill tools, drill pipe, casing and other tubular goods, from locations in Kansas, Texas, West Virginia and Pennsylvania.

On September 16, 2011, the Company acquired substantially all of the assets of Don Thorpe, Inc. (DTI), a Texas-based provider of inspection, cleaning and storage services for used tubing.

On January 31, 2012, the Company acquired all of the outstanding membership units of Castronics, LLC (Castronics), a Nebraska-based company providing OCTG threading, repair and storage services to pipe mills, distributors and oil and gas companies operating in the Rocky Mountains and Upper Midwest.

UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business and Significant Accounting Policies (continued)

Nature of Business (continued)

On December 27, 2012, the Company acquired all of the outstanding common shares of James Clark Inspections, Inc. (JCI), a Texas-based provider of NDT, inspection and repair services for drill tools, drill pipe and other tubular products and specialty fabrication and machine shop services for a variety of oil and gas customers.

On December 27, 2012, the Company acquired substantially all of the assets of Xxtreme Pipe Services, LLC (Xxtreme), a Texas-based provider of OCTG NDT, inspection, threading, repair and storage services for oil and gas companies, manufacturers and distributors.

On November 1, 2013, the Company acquired all of the outstanding common shares of OTI Operating Inc. (OTI), an Oklahoma-based company providing mobile, on-site NDT, inspection and related services on drill pipe and casing.

Basis of Presentation and Consolidation

The condensed consolidated financial statements include the accounts of IOS Holdings, Inc. and its wholly-owned subsidiary, IOS Acquisitions, Inc., and IOS Acquisitions, Inc.'s wholly owned subsidiaries, IOS/PCI, LLC, Mike's Pipe Inspection, Inc., Castronics, LLC, James Clark Inspections, Inc., and OTI Operating Inc. All material intercompany transactions and balances have been eliminated.

Basis of Accounting

The Company maintains its accounts on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. Nature of Business and Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents are defined by the Company as holdings of highly liquid investments with original maturities of three months or less. The Company periodically maintains cash at financial institutions in excess of federally insured limits. The Company has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Accounts Receivable and Revenue Recognition

Accounts receivable arise in the normal course of business of inspection and related services. The Company ages its trade receivables using the invoice date. The Company has established an allowance for doubtful accounts based upon a progressively increasing reserve percentage corresponding to the age of the receivable. Accounts receivable are written off when the account is deemed uncollectible. As of September 30, 2014 and December 31, 2013, the Company had an allowance for doubtful accounts of approximately $301,000 and $402,000, respectively.

Revenues are recognized upon completion of services rendered. As of September 30, 2014 and December 31, 2013, the Company had accrued approximately $2,789,000 and $1,199,000, respectively, of unbilled revenue related to services provided but not yet invoiced.

Goodwill

The Company accounts for goodwill and intangible assets in accordance with ASC 350, *Intangibles – Goodwill and Other* (ASC 350). Goodwill is initially measured as the excess of the cost of an acquired business over the fair value of the identifiable net assets acquired. The Company does not amortize goodwill but rather reviews the carrying value for impairment annually, and whenever an impairment indicator is identified.

The measurement of goodwill impairment requires management to make estimates of cash flows as well as other fair value determinations. If the fair value of the Company's assets and liabilities is less than its book value, an impairment loss is recorded to write down the goodwill to estimated fair value. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. Management has determined that no impairment of goodwill exists as of September 30, 2014 and December 31, 2013.

1. Nature of Business and Significant Accounting Policies (continued)

Intangibles and Other Long-Term Assets

Intangible assets other than goodwill include customer relationships, non-compete agreements and trade names resulting from the acquisitions of IOS/PCI, MPI, Castronics, JCI, Xxtreme, and OTI. The customer relationships, non-compete agreements and trade names were valued based on an independent valuation using the Company's estimate of the future value to be derived from these intangibles under the excess earnings method, the probability adjusted lost cash flows method and the relief from royalty method.

The Company amortizes customer relationships over their estimated useful lives of 15 to 20 years. The Company amortizes non-compete intangibles over their estimated useful lives of 2 to 5 years. The Company amortizes trade names over their estimated useful lives of 1 to 5 years.

The Company evaluates the recoverability of its identifiable intangible assets at least annually or whenever events or changes in circumstances indicate that its intangible assets' carrying amounts may not be recoverable. Such circumstances could include, but are not limited to, a significant decrease in the market value of an asset, a significant adverse change in the extent or manner in which an asset is used, or an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset. The carrying value of an identifiable intangible asset is considered impaired when its carrying value exceeds its fair value. In such an event, an impairment loss is recognized equal to the amount of that excess. The evaluation of intangible asset impairment requires the Company to make assumptions about future cash flows, discounted at a rate commensurate with the risk involved, over the estimated useful life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. Management has determined that no impairment of the identifiable intangible assets exists as of September 30, 2014 and December 31, 2013.

1. Nature of Business and Significant Accounting Policies (continued)

Intangibles and Other Long-Term Assets (continued)

Amortization expense (exclusive of debt issuance costs) was approximately $3,181,683 and $3,002,427 for the nine month periods ended September 30, 2014 and 2013, respectively. Intangible assets consist of the following at September 30, 2014 and December 31, 2013:

2014	Gross Amount	Accumulated Amortization	Net Balance
Customer relationships	$43,790,000	$ 6,395,617	$37,394,383
Trade names	1,835,000	1,267,585	567,415
Non-compete agreements	5,000,000	2,525,797	2,474,203
Total	$50,625,000	$10,188,999	$40,436,001

2013	Gross Amount	Accumulated Amortization	Net Balance
Customer relationships	$43,790,000	$ 4,222,726	$39,567,274
Trade names	1,835,000	967,340	867,660
Non-compete agreements	5,000,000	1,817,249	3,182,751
Total	$50,625,000	$ 7,007,315	$43,617,685

Debt issuance costs are amortized primarily using the effective interest method over the life of the related debt agreements with a weighted average useful life of 5 years. Amortization of debt issuance costs is recorded in interest expense. As part of the November 2013 acquisition of OTI and related additional financing, the Company added $533,628 of debt issuance costs.

1. Nature of Business and Significant Accounting Policies (continued)

Property, Plant, and Equipment

Property, plant and equipment are stated at cost. Expenditures for property and equipment and items that substantially increase the useful lives of existing assets are capitalized at cost and depreciated. Routine expenditures for repairs and maintenance are expensed as incurred. The cost and related accumulated depreciation of property and equipment disposed of are eliminated from the accounts, and any resulting gain or loss is recognized. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the assets capitalized. Depreciation is computed on the straight-line method for financial reporting purposes using the following estimated useful lives:

Buildings and improvements	15 to 30 years
Machinery, equipment and vehicles	2 to 15 years
Furniture and fixtures	2 to 15 years

There was no interest capitalized for the nine month periods ended September 30, 2014 and 2013.

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 existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. The measurement of a deferred tax asset is reduced, if necessary, by a valuation allowance if it is more-likely-than-not that some portion or the entire deferred tax asset will not be realized.

ASC 740, *Income Taxes* (ASC 740), prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return as well as guidance on de-recognition, classification, interest and penalties and financial statement reporting disclosures. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement.

UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business and Significant Accounting Policies (continued)

Income Taxes (continued)

The Company recognizes interest and penalties accrued on any unrecognized tax exposures as a component of income tax expense. The Company does not have any amounts accrued relating to interest and penalties as of September 30, 2014 and December 31, 2013.

Stock Based Compensation

Stock-based compensation expense is based on the estimated grant-date fair value of all stock-based awards, net of an estimated forfeiture rate, over the requisite service period of the awards, which is generally equivalent to the vesting term. Stock-based compensation expense is recorded only for those awards expected to vest. The Company will periodically revise the estimated forfeiture rate if actual forfeitures differ from the estimates.

Excess tax benefits from the exercise of stock options will be recorded as financing cash flows. For the nine month periods ended September 30, 2014 and 2013, no excess tax benefits were reported in the statement of cash flows as the Company was in a net operating loss carryforward position. No stock options were exercised during the nine month periods ended September 30, 2014 and 2013.

2. Acquisitions

On November 1, 2013, the Company acquired all of the outstanding common shares of OTI Operating Inc. (OTI), an Oklahoma-based company providing mobile, on-site NDT, inspection and related services on drill pipe and casing. The Company paid approximately $9.3 million for the purchase of OTI, including consideration of the settlement of amounts post acquisition. Identifiable intangible assets include goodwill of approximately $1 million and other amortizable intangibles, such as trademarks, non-compete agreements and customer relationships, of approximately $4.9 million. The other assets acquired in the transaction included working capital and property, plant and equipment.

3. Property, Plant, and Equipment

As of September 30, 2014 and December 31, 2013, property, plant and equipment consisted of the following:

	Life	2014	2013
Land and land improvements		$ 8,396,426	$ 5,400,298
Building and leasehold improvements	15 – 30 years	15,230,496	18,069,051
Machinery, equipment and vehicles	2 – 15 years	37,569,076	34,221,323
Furniture and fixture	2 – 15 years	233,392	211,190
Construction in progress		1,165,052	780,634
Total		62,594,442	58,682,496
Less: accumulated depreciation		(12,740,865)	(8,110,619)
Net property, plant, and equipment		$ 49,853,577	$50,571,877

Property, plant and equipment are pledged as collateral on notes payable.

4. Notes Payables

As of September 30, 2014, outstanding notes payable consisted of a senior revolving loan (with $0 drawn), a senior term loan (with an original amount of $57.5 million) and a mezzanine loan (with an original amount of $40.0 million and an amended additional amount of $4.925 million). The Company also had access to a senior capital expenditures loan (with borrowings of $3.5 million). These credit facilities were entered into on December 27, 2012 in connection with the acquisitions of JCI and Xxtreme and the refinancing of the existing credit facilities, and amended on November 1, 2013 in connection with the acquisition of OTI. A summary of the outstanding long-term debt as of September 30, 2014 and December 31, 2013 is as follows:

	2014	2013
Senior revolving loan, with maximum borrowings of $7,500,000, payable on demand, monthly interest payments based on a combination of LIBOR plus 4.5% or prime plus 3.5% (as of September 30, 2014, the applicable rate was 6.75%), maturity of December 27, 2017, secured by Company assets.	$ —	$ 2,138,000
Senior capital expenditures loan, with original principal amount of $4,700,000, monthly interest payments based on LIBOR plus 4.75% or prime plus 3.75% (as of September 30, 2014, the applicable rate was 7%), quarterly principal payments of $235,000 beginning in March 2014, maturity of December 27, 2017, secured by Company assets.	3,500,000	4,700,000
Senior term loan, with original principal amount of $57,500,000, monthly interest payments based on LIBOR plus 4.75% or prime plus 3.75% (as of September 30, 2014, the applicable rate was 7%), quarterly principal payments beginning in March 2013, with amounts ranging from $1,437,000 to $1,796,875, maturity of December 27, 2017, secured by Company assets.	46,519,293	51,750,000
Note payable, financing insurance premiums, payable over 12 months with a maturity of October 1, 2014, with an interest of 3.39%, unsecured.	—	1,052,016
Note payable, secured by equipment, monthly payment of $5,573, payable over 36 months with a maturity of November 5, 2016.	133,743	189,470
Note payable, secured by equipment, monthly payment of $48,645, payable over 36 months with a maturity of September 30, 2017.	548,220	—
Note payable to previous owners of OTI, at fixed rate of 8% per annum, commencing on November 1, 2013, due November 1, 2015, unsecured.	2,600,000	2,600,000

4. Notes Payables (continued)

	2014	2013
Mezzanine notes, with original principal amount of $40,000,000, monthly interest payments of 12% cash and quarterly variable PIK rate currently at 3.5% at September 30, 2014, no amortization, maturity of June 26, 2018. Effective November 1, 2013, PIK rate is based on the total leverage calculation at the end of the prior quarter.	$ 47,099,005	$ 45,887,933
Total notes payable	100,400,261	108,317,419
Less: current maturities of notes payable	(8,029,578)	(9,946,888)
Long-term notes payable	$ 92,370,683	$ 98,370,531

Maturities on notes payable due in future years as of September 30, 2014 are as follows:

	Year Ending				
	2014	2015	2016	2017	2018
Senior capex loan	$ 235,000	$ 940,000	$ 940,000	$ 1,385,000	$ —
Senior term loan	1,437,500	7,187,500	7,187,500	30,706,793	—
Note payable (equipment)	65,363	261,453	244,735	110,412	—
Note payable (OTI)	—	2,600,000	—	—	—
Mezzanine notes	—	—	—	—	47,099,005
	$1,737,863	$10,988,953	$8,372,235	$32,202,205	$47,099,005

Also as described above, the Company considers that the carrying value of the notes payable reflected the estimated fair value as of September 30, 2014.

5. Income Taxes

The Company follows the provisions of ASC Topic 740 which provides for recognition of deferred tax assets and liabilities for deductible temporary timing differences, operating loss carryforwards, and tax credit carryforwards, net of a valuation allowance for any asset for which it is more-likely-than-not will not be realized in the Company's tax return.

The components of deferred income taxes are as follows as of September 30, 2014 and December 31, 2013:

	2014	2013
Deferred Tax Liabilities:		
Intangible assets	$ (6,366,270)	$ (5,281,340)
Fixed assets	(5,649,639)	(5,584,338)
Section 481 adjustment	(224,709)	(497,830)
Prepaid expenses	(33,676)	(456,908)
Deferred tax liabilities, total	$(12,274,294)	$(11,820,416)
Deferred Tax Assets:		
Net operating loss	$ —	$ 252,775
Contributions carryover	—	12,914
Accrued liabilities and stock compensation	1,335,697	659,184
Bad debt allowance	115,911	154,833
Deferred tax assets, total	1,451,608	1,079,706
Deferred tax liability, net	$(10,822,686)	$(10,740,710)

Net deferred tax liability of $10,822,686 as of September 30, 2014 consists of current net deferred tax assets of $1,276,766 and long-term net deferred tax liabilities of $12,099,452. Net deferred tax liability of $10,740,710 as of December 31, 2013 consists of current net deferred tax liabilities of $230,771 and long-term net deferred tax liabilities of $10,509,939.

Current tax liability included in accrued expenses as of September 30, 2014 and December 31, 2013 was $2,070,778 and $406,261, respectively. The composition of income tax expense for the nine months ended September 30 was as follows:

	2014	2013
Current	$2,249,825	$ 360,669
Deferred	78,368	1,182,887
Income tax expense	$2,328,193	$1,543,556

5. Income Taxes (continued)

The reconciliation of elements of income tax expense provided for the nine months ended September 30 was as follows:

	2014	2013
Amount using statutory rate	$1,976,196	$1,269,620
State related income taxes	303,807	341,658
Impact of effective rate change on deferred items	—	(232,964)
Nondeductible costs	117,975	131,556
Transaction costs	37,218	33,897
Other	(107,003)	(211)
Income tax expense	$2,328,193	$1,543,556

As of September 30, 2014 and December 31, 2013, the Company had concluded that there were no material uncertain tax positions. The Company plans to file the applicable extensions related to its Federal and/or state income tax returns for fiscal year 2014. Federal, state, and local taxing authorities generally have the right to examine and audit the 2012 and 2013 tax returns filed.

6. Stockholder's Equity

IOS Holdings, Inc. (Holdings) has three classes of stock as follows:

Common stock, Class A, par value $100 per share: Holdings has authorized 280,000 shares. As of September 30, 2014 and December 31, 2013, 270,522 shares were issued and outstanding. These are voting shares.

Common stock, Class B, par value $100 per share: Holdings has authorized 150,000 shares. As of September 30, 2014 and December 31, 2013, no shares were issued and outstanding. These are non-voting shares. These shares are used for stock-based compensation awards.

Common stock, Class C par value $100 per share: Holdings has authorized 500,000 shares. As of September 30, 2014 and December 31, 2013, 111,098 shares were issued and outstanding. These are voting shares.

7. Stock Compensation

During 2011, the Company established the 2011 Equity Incentive Plan (the Stock Option Plan) whereby employees, consultants and directors of the Company and its affiliates are eligible to be granted stock options. As of September 30, 2014 and December 31, 2013, a total of 150,000 authorized shares of the Company's Class B common stock are reserved under the Stock Option Plan. Stock options are granted at exercise prices not less than the fair value of the stock at the date of grant. The Company determines fair value through internal valuations based on historical financial and projected information, and if available, independent valuations of the Company's common shares.

Options vest a) over a service period of 4 years (tenured options) or b) upon meeting certain performance thresholds in a disposition event as defined in the Stock Option Plan agreement (disposition options) (Note 11). Options expire ten years from the date of grant (Note 11). As of September 30, 2014 and December 31, 2013, the Company had 16,299 and 15,110, respectively, tenured options outstanding with strike prices ranging from $100 to $296 per share, which will expire on various dates through 2021. As of September 30, 2014 and December 31, 2013, the Company had 14,110 disposition options outstanding with strike prices ranging from $100 to $240 per share, which will expire on various dates through 2023. No compensation expense is recognized in the financial statements for the disposition options.

7. Stock Compensation (continued)

The fair value of tenured options is estimated as of the date granted using the Black-Scholes model with the following weighted average assumptions used as of December 31:

	2014	2013
Dividend yield	-0-%	-0-%
Expected volatility	36.12%	53.48%
Risk free interest rate	2.58%	1.73%
Expected life (in years)	10 years	10 years

For the nine months ended September 30, 2014 and 2013, the Company recognized approximately $296,738 and $205,996, respectively, of compensation expense related to its stock option program. As of September 30, 2014 and December 31, 2013, there was approximately $974,064 and $638,000, respectively, of unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Stock Option Plan. The remaining cost is expected to be recognized over a weighted-average period of 2 years. A summary of the status of the Company's tenured stock options for the nine months ended September 30, 2014 and year ended December 31, 2013 was as follows:

September 30, 2014	Number of Shares	Exercise Price Range	Average Exercise Price
Outstanding, December 31, 2013	15,110	$100.00 - $239.97	$151.06
Granted	3,750	$296.93	$296.93
Forfeited	(2,561)	$100.00 - $239.97	$163.62
Exercised	—	—	—
Outstanding, September 30, 2014	16,299		$182.65

December 31, 2013	Number of Shares	Exercise Price Range	Average Exercise Price
Outstanding, December 31, 2012	13,609	$100.00 - $211.24	$138.03
Granted	1,875	$232.41 - $239.97	$235.43
Forfeited	(374)	$100.00	$100.00
Exercised	—	—	—
Outstanding, December 31, 2013	15,110		$151.06

8. Concentration Risk

At September 30, 2014 and December 31, 2013, the balance due from the top five customers accounted for approximately $5,104,000 or 22% and $5,218,000 or 32% of the accounts receivable balance, and sales to the top five customers represented approximately $21,500,000 or 24% and $17,700,000 or 22% of the Company's revenues for the nine month periods ended September 30, 2014 and 2013, respectively.

Changes in the relationship with any of these customers could materially and adversely affect the Company's financial performance.

9. Related Party Transactions

For the nine month periods ended September 30, 2014 and 2013, the Company paid approximately $520,000 and $502,000 respectively, for management fees related to supervisory and business planning services. For the nine months ended September 30, 2013, the Company paid $410,000 to a Board Member as part of a contract services agreement entered into with the acquisition of Xxtreme.

10. Commitments and Contingencies

Operating Leases. At September 30, 2014 and December 31, 2013, the Company was obligated under various non-cancelable operating leases for a number of properties. Certain leases contain escalation clauses providing for increased rentals if extended. Rent expense for operating leases was approximately $2,060,132 and $2,250,432 for the nine month periods ended September 30, 2014 and 2013, respectively. Future minimum lease payments as of September 30, 2014 are as follows:

2014	$ 307,530
2015	1,109,485
2016	890,664
2017	815,972
2018	193,775
	$3,317,426

11. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 22, 2015, and determined that there were no subsequent events requiring disclosure, except as follows:

On March 13, 2015, L.B. Foster Company ("L.B. Foster") entered into a merger agreement with IOS Holdings, Inc. L.B. Foster acquired 100% of the outstanding shares of the Company.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following Unaudited Pro Forma Condensed Combined Financial Information ("pro forma financial information") and related explanatory notes present the historical condensed combined financial information of L.B. Foster Company ("the Company") and IOS Holdings, Inc. ("IOS") after giving effect to the Company's acquisition of IOS that was completed on March 13, 2015.

The Unaudited Pro Forma Condensed Combined Statements of Operations ("pro forma statements of operations") for the nine months ended September 30, 2014 and the year ended December 31, 2013, give effect to the acquisition as if it was consummated on January 1, 2013, the beginning of the Company's fiscal year. The Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet ("pro forma balance sheet") as of September 30, 2014, gives effect to the acquisition as if it was consummated on September 30, 2014.

The historical financial statements were prepared in conformity with U.S. GAAP. The unaudited pro forma condensed combined financial information is presented in accordance with the rules specified by Article 11 of Regulation S-X promulgated by the SEC, and has been prepared using the assumptions described in the notes thereto.

The historical financial information of the Company has been derived from the historical audited consolidated financial statements of the Company included in the Annual Report on Form 10-K for the year ended December 31, 2013 and the unaudited condensed consolidated financial statements of the Company included in the Quarterly Report on Form 10-Q for the nine months ended September 30, 2014.

Assumptions and estimates underlying the unaudited adjustments to the pro forma combined financial information ('the pro forma adjustments") are described in the accompanying explanatory notes. The pro forma adjustments give effect to pro forma events that are (1) directly attributable to the acquisition, (2) factually supportable, and (3) with respect to the pro forma statement of operations, expected to have a continuing impact on the combined results of the Company following the IOS acquisition.

The pro forma financial information has been prepared using the acquisition method of accounting In accordance with Accounting Standards Codification 805, Business Combinations ("ASC 805"), with L.B. Foster as the acquirer of IOS. Under the acquisition method of accounting, the purchase price is allocated to the underlying tangible and intangible assets acquired and liabilities assumed based on their respective fair market values as of the acquisition date with any excess purchase price allocated to goodwill. The Company has not completed the detailed valuation studies necessary to arrive at the required estimates of the fair value of the IOS assets acquired and the liabilities assumed and the related allocations of the purchase price. As a result, the pro forma adjustments are preliminary and are subject to change as additional information becomes available and as additional analyses are performed. The valuation will be finalized as soon as practicable within the required measurement period, but in no event later than one year following completion of the acquisition. Any increases or decreases in the fair value of these assets and liabilities upon completion of the final valuations will result in adjustments to the pro forma balance sheet and/or statement of operations. The final purchase price allocation may be different than that reflected in the pro forma purchase price allocation presented herein, and this difference may be material.

The historical financial statements of IOS have been adjusted to reflect certain reclassifications and other adjustments in order to conform to the Company's financial statement presentation and accounting policies. Further review may identify additional differences between the accounting policies of the two companies that, when conformed, could have a material impact on the financial statements of the combined company. However, at this time, we are not aware of any accounting policy differences that would have a material impact on the unaudited pro forma condensed combined financial statements of the combined company that are not reflected in the pro forma adjustments.

The pro forma financial information has been presented for illustrative purposes only and do not purport to represent what the results of operations or financial position of the Company would have been had the transaction occurred on the dates noted above, or to project the future results of operations or financial position of the Company for any future periods.

The pro forma financial information, although helpful in illustrating the financial characteristics of the Company under one set of assumptions, does not reflect the benefits of expected cost savings (or associated costs to achieve such savings), opportunities to earn additional revenue, or other factors that may result as a consequence of the IOS acquisition, and accordingly, does not attempt to predict or suggest future results. Specifically, the unaudited pro forma combined statement of operations excludes projected operating efficiencies and synergies expected to be achieved as a result of the IOS acquisition. The pro forma financial information also excludes the effects of costs associated with any restructuring or integration activities or asset dispositions resulting from the IOS acquisition, as they are not expected or were not incurred as of the closing date of the IOS acquisition. Such costs may be material and no assurance can be given that cost savings or synergies will be realized. However, such costs could affect the combined company following the merger in the period the costs are incurred or recorded.

The pro forma financial information has been developed from and should be in read in conjunction with the accompanying notes to the pro forma financial information, Management’s Discussion and Analysis of Financial Condition and Results of Operations and the historical financial statements in the Company’s 2013 Annual Report on Form 10-K, the September 30, 2014 Quarterly Report on Form 10-Q, the audited consolidated financial statements of IOS as of and for the year ended December 31, 2013, included as Exhibit 99.2 to the Form 8-K/A filed herewith, and the unaudited consolidated interim financial statements of IOS as of and for the nine months ended September 30, 2014, included as Exhibit 99.3 to the Form 8-K/A filed herewith.

L.B. FOSTER COMPANY AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF SEPTEMBER 30, 2014
(In thousands)

	Historical Balance Sheet Information		Pro Forma		
	L.B. Foster	IOS	Adjustments	Notes	Combined
ASSETS					
Current assets:					
Cash and cash equivalents	$ 86,516	$ 836	$ —		$ 87,352
Accounts receivable - net	91,178	23,718	(499)	(h)	114,397
Inventories - net	90,795	1,224	(116)	(h)	91,903
Current deferred tax assets	461	1,277	263	(i)	2,001
Prepaid income tax	233	34	—		267
Other current assets	3,556	90	55	(h)	3,701
Current assets of discontinued operations	14	—			14
Total current assets	272,753	27,179	(297)		299,635
Property, plant and equipment - net	63,105	49,854	(118)	(c)	112,841
Other assets:					
Goodwill	59,603	54,808	14,816	(d)	129,227
Other intangibles - net	49,789	40,436	9,313	(e)	99,538
Investments	5,365	—			5,365
Other assets	1,750	1,973	395	(b,h)	4,118
Total Assets	$452,365	$174,250	$ 24,109		$650,724
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$ 60,229	$ 2,957	$ 987	(f)	$ 64,173
Deferred revenue	9,810	—	—		9,810
Accrued payroll and employee benefits	9,333	3,509	—		12,842
Accrued warranty	8,610	—	—		8,610
Current maturities of long-term debt	104	8,030	(8,030)	(a)	104
Current deferred tax liabilities	179	—			179
Other accrued liabilities	8,885	3,293	(699)	(a)	11,479
Total current liabilities	97,150	17,789	(7,742)		107,197
Long-term debt	270	92,371	77,738	(a)	170,379
Deferred tax liabilities	11,086	12,099	3,631	(i)	26,816
Other long-term liabilities	9,378	—	3,460	(f)	12,838
Stockholders' equity:					
Class A Common Stock	111	43,470	(43,470)	(g)	111
Paid-in capital	47,649	7,837	(7,837)	(g)	47,649
Retained earnings	317,057	684	(1,671)	(g)	316,070
Treasury Stock	(23,242)	—	—		(23,242)
Accumulated other comprehensive loss	(7,094)	—	—		(7,094)
Total stockholders' equity	334,481	51,991	(52,978)		333,494
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$452,365	$174,250	$ 24,109		$650,724

See notes to the unaudited pro forma condensed combined financial information

L.B. FOSTER COMPANY AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014
(In thousands, except per share data)

	Historical Statement of Operations Information		Pro Forma		
	L.B. Foster	IOS	Adjustments	Notes	Combined
Net sales	$446,043	$89,921	$ —		$535,964
Cost of goods sold	356,057	67,058	(637)	(j)	422,478
Gross profit	89,986	22,863	637		113,486
Selling and administrative expenses	58,268	5,914	(254)	(j,m,n)	63,928
Amortization expense	3,504	3,182	201	(k)	6,887
Interest expense	375	8,464	(5,706)	(l)	3,133
Interest income	(431)	—	—		(431)
Equity in income of nonconsolidated investments	(823)	—	—		(823)
Other income	(297)	(47)	—		(344)
	60,596	17,513	(5,759)		72,350
Income from continuing operations before income taxes	29,390	5,350	6,396		41,136
Income tax expense	9,774	2,328	2,463	(o)	14,565
Income from continuing operations	19,616	3,022	3,933		26,571
Discontinued operations:					
Income from discontinued operations before income taxes	18		—		18
Income tax expense	7		—		7
Income from discontinued operations	11	—	—		11
Net income	$ 19,627	$ 3,022	$ 3,933		$ 26,582
Average number of common shares outstanding - Basic	10,220		—		10,220
Average number of common shares outstanding - Diluted	10,325		—		10,325
Basic earnings per common share:					
From continuing operations	$ 1.92				$ 2.60
From discontinued operations	0.00				$ 0.00
Basic earnings per common share	$ 1.92				$ 2.60
Diluted earnings per common share:					
From continuing operations	$ 1.90				$ 2.57
From discontinued operations	0.00				$ 0.00
Diluted earnings per common share	$ 1.90				$ 2.57

See notes to the unaudited pro forma condensed combined financial information

L.B. FOSTER COMPANY AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013
(In thousands, except per share data)

	Historical Statement of Operations Information		Pro Forma		
	L.B. Foster	IOS	Adjustments	Notes	Combined
Net sales	$597,963	$106,256	$ —		$704,219
Cost of goods sold	482,024	78,595	405	(j)	561,024
Gross profit	115,939	27,661	(405)		143,195
Selling and administrative expenses	71,256	10,281	28	(j,m,n)	81,565
Amortization expense	3,112	4,088	422	(k)	7,622
Interest expense	485	10,115	(6,438)	(l)	4,162
Interest income	(659)	—	—		(659)
Equity in income of nonconsolidated investment	(1,316)	—	—		(1,316)
Other (income) / loss	(1,054)	116	—		(938)
	71,824	24,600	(5,988)		90,436
Income from continuing operations before income taxes	44,115	3,061	5,583		52,759
Income tax expense	14,839	1,791	2,150	(o)	18,780
Income from continuing operations	29,276	1,270	3,433		33,979
Discontinued operations:					
Income from discontinued operations before income taxes	23	—	—		23
Income tax expense	9	—	—		9
Income from discontinued operations	14	—	—		14
Net income	$ 29,290	$ 1,270	$ 3,433		$ 33,993
Average number of common shares outstanding - Basic	10,175	—	—		10,175
Average number of common shares outstanding - Diluted	10,260	—	—		10,260
Basic earnings per common share:					
From continuing operations	$ 2.88				$ 3.34
From discontinued operations	$ 0.00				$ 0.00
Basic earnings per common share	$ 2.88				$ 3.34
Diluted earnings per common share:					
From continuing operations	$ 2.85				$ 3.31
From discontinued operations	$ 0.00				$ 0.00
Diluted earnings per common share	$ 2.85				$ 3.31

See notes to the unaudited pro forma condensed combined financial information

Note 1.

Basis of Presentation

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

The pro forma balance sheet of L.B. Foster Company ("L.B. Foster" or the "Company") as of September 30, 2014 and the pro forma statements of operations for the year ended December 31, 2013, and for the nine months ended September 30, 2014 give effect to the acquisition of 100% of the outstanding shares of IOS Holdings, Inc. ("IOS") on March 13, 2015.

The pro forma financial information have been derived from the historical consolidated financial statements of the Company and IOS. The pro forma financial statements of IOS have been adjusted to reflect certain reclassifications in order to conform to L.B. Foster's financial statement presentation. Further review may identify additional differences between the accounting policies of the two companies, that, when conformed, could have a material impact on the financial statements of the combined company. However, at this time, we are not aware of any accounting policy differences that would have a material impact on the unaudited pro forma financial statements that are not reflected in the pro forma adjustments.

The Company acquired IOS for $167,138, net cash acquired, at closing for IOS, subject to the finalization of the net working capital, indebtedness, cash and transaction expenses adjustments ("transaction adjustments"). Included within the purchase price is a reduction related to the initial transaction adjustments totaling $1,810. The preliminary estimate of additional transaction adjustments is $205 payable to seller for a cumulative $1,605 reduction to purchase price. The acquisition agreement includes an earn-out provision whereby sellers have the ability to earn up to an additional $60,000 dependent upon the acquired business achieving a certain level of EBITDA during the 3-year period beginning on January 1, 2015 and ending on December 31, 2017. 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. The purchase price also included escrowed funds of $7,600 in order to secure potential indemnification obligations from the former IOS owners for a period of 18 months.

The acquisition is recorded within the pro forma financial statements under the acquisition method of accounting, in accordance with business combination accounting guidance under U.S. generally accepted accounting principles. Under these standards, the assets acquired and liabilities assumed are measured at estimated fair value as defined by the applicable guidance. The adjustments included herein are preliminary as the Company has not finalized the detailed valuation studies necessary to arrive at the required estimates of fair value of the IOS assets to be acquired and the liabilities to be assumed and the related allocation of purchase price. The final fair values may differ materially from the information presented. Acquisition transaction costs have not been included as components of consideration, but have been adjusted in the period in which the costs were incurred.

The pro forma financial information were prepared in accordance with U.S. GAAP and pursuant to the U.S. Securities and Exchange Commission Regulation S-X Article 11. The pro forma financial statements of the combined companies are based upon the historical information of the respective companies after giving effect to the acquisition and adjustments as described in the notes to the financial information. The pro forma balance sheet is presented as if the acquisition occurred on September 30, 2014 and the pro forma statements of income for the nine-months ended September 30, 2014 and for the year ended December 31, 2013 give effect to the acquisition as if it had occurred January 1, 2013.

Note 2.

Preliminary purchase consideration and related allocation

The estimated consideration for IOS is as follows:

Agreement purchase price	$170,000
Preliminary net working capital and estimated cash adjustment	(1,605)
Other adjustments related to insurance payments	44
Net cash acquired from IOS	(1,301)
Estimated consideration, net of cash acquired	$167,138

The net working capital adjustment for the purposes of the pro forma condensed consolidated balance sheet is based on the estimated IOS balance sheet as of March 13, 2015. The net working capital adjustment is expected to be settled in the second quarter of 2015, and the preliminary calculation resulted in a reduction in purchase price.

The following table summarizes the preliminary allocation of the fair value of the purchase price for the acquisition assuming the acquisition closed on September 30, 2014:

Current assets, net of cash acquired on the acquisition date	$ 25,581
Property, plant and equipment	49,736
Goodwill	69,624
Other intangibles	49,749
Other non-current assets	698
Current liabilities	(9,060)
Other non-current liabilities	(19,190)
Total	$167,138

The final estimated consideration paid, net of cash acquired, and amounts allocated to assets acquired and liabilities assumed in the IOS acquisition, could differ materially from the preliminary amounts presented in these Pro Forma Financial Information. In addition, if the value of the acquired assets is higher than the preliminary indication, it may result in higher amortization and depreciation expense than is presented in these Pro Forma Financial Information. See Note 3 for the effects of changes in estimated fair value of property and equipment to be acquired in the IOS acquisition on the calculation of pro forma depreciation and amortization expense.

The following table summarizes the preliminary allocation of the fair value of the other intangibles assets assuming the acquisition closed on September 30, 2014:

Trade name	$ 2,641
Customer relationships	40,528
Technology	4,364
Non-competition agreements	2,216
Total intangible assets	$49,749

As part of these preliminary estimates, trade name was valued using the relief-from-royalty method under the income approach, customer relationships were valued using the multi-period excess earnings approach, technology was valued using the relief from royalty method under the income approach, and non-competition agreements were valued using a differential cash flow approach. Amortization expense was calculated using a straight-line method.

The amortization related to these amortizable identifiable intangible assets is reflected as a pro forma adjustment to the pro forma combined statement of operations using the straight-line method. Management has determined the estimated remaining useful life of these assets based on its consideration of relevant factors. A 10-year remaining useful life for the trade names has been estimated based on the period in which the Company expects a market participant would use the name prior to rebranding and the length of time the name is expected to maintain recognition and value in the marketplace. A 15-year remaining useful life for customer relationships has been estimated based on the projected economic benefits associated with this asset. The 15-year estimated useful life represents the approximate point in the projection period in which a majority of the asset's cash flows are expected to be realized based on assumed attrition rates. A 10-year useful life for the technology based upon the length of time that a market participant would be able to leverage the know-how and internal processed developed by IOS. A 2-year remaining useful life for the non-compete agreements has been estimated, based on the contractual term of the agreements with former shareholders of IOS. These assumptions have been developed based on discussions with former members of IOS' management and IOS' historical customer data. The amount that will ultimately be allocated to these assets, and the related amount of amortization, may differ materially from this preliminary allocation.

The purchase price allocation for property, plant and equipment was based on a preliminary estimate of the fair value of such assets. Depreciation expense in the pro forma combined statement of operations assumes estimated useful lives of 2-39 years based upon asset classification. Goodwill represents the excess of the total purchase price over the fair value of the underlying net assets. Goodwill is not amortized to earnings, but instead is reviewed for impairment at least annually absent any indicators of impairment.

The excess of the purchase price over the preliminary estimated fair value to the underlying assess acquired and liabilities assumed has been recorded as goodwill. The goodwill resulting from the preliminary allocation of acquisition consideration is primarily attributable to the nationwide energy platform that IOS provides as well as our ability to control the acquired assets. Goodwill resulting from the acquisition is not expected to be deductible for tax purposes. In accordance with ASC 805, goodwill will be tested for impairment at least annually and more frequently if certain indicators of impairment are present.

Note 3.

Pro Forma Condensed Combined Balance Sheet Adjustments

Pro forma adjustments are necessary to reflect the preliminary allocation of the purchase price, including adjusting assets and liabilities to their estimated fair value and recognizing intangible assets, with related changes in amortization expense, and to reflect the effect of the purchase price paid to acquire said assets and assumed liabilities.

The pro forma adjustments included in the Unaudited Pro Forma Condensed Combined Balance Sheet are as follows:

a) Adjustments related to the extinguishment of IOS debt and L.B. Foster proceeds from revolving credit facility used to acquire IOS.

Proceeds from revolving credit facility	$168,439
Proceeds to fund deferred financing costs	1,670
Payment of IOS current debt	(8,030)
Payment of IOS long-term debt	(92,371)
Payment of accrued interest	(699)

b) Adjustments related to the elimination of IOS deferred financing fees and financing fees attributable to the Company's revolving credit facility.

L.B. Foster deferred financing costs	$ 1,670
Eliminate IOS deferred financing costs	(1,892)
Pro forma adjustment to deferred financing costs	(222)

c) Adjustments to eliminate IOS' property, plant and equipment and record the estimated fair value of property, plant and equipment based upon the September 30, 2014 assumed transaction close.

Preliminary property, plant and equipment fair value	$ 49,736
Eliminate historical IOS property, plant and equipment - net	(49,854)
Pro forma adjustment to fair value property, plant and equipment	(118)

d) Adjustments related to the elimination of IOS' historical goodwill and record the estimated goodwill balance based upon the September 30, 2014 assumed transaction close.

Preliminary goodwill valuation	69,624
Eliminate historical IOS goodwill	(54,808)
Pro forma adjustment to fair value goodwill	14,816

e) Adjustments to eliminate IOS' historical other intangibles and record the estimated fair value of other intangibles based upon the September 30, 2014 assumed transaction close.

Preliminary other intangible valuation	49,749
Eliminate IOS other intangible - net	(40,436)
Pro forma adjustment to fair value other intangibles	9,313

f) Adjustment to accrue transaction costs and record preliminary estimate of environmental obligations.

Record accrual for transaction costs incurred subsequent to September 30, 2014	987
Environmental obligation	3,460

g) Adjustment to eliminate and adjust historical IOS equity balances

Eliminate historical IOS common stock	(43,470)
Eliminate historical IOS paid in capital	(7,837)
Eliminate historical IOS retained earnings	(684)
Record transaction related costs incurred subsequent to September 30, 2014	(987)

h) Adjustments to record the fair value of accounts receivable, inventory, and short and long-term prepaid assets.

Adjust accounts receivable to fair value	(499)
Adjust inventory values to fair value	(116)
Adjust prepaid assets to fair value	(69)
Record current portion of representation and warranty insurance	124
Record long-term portion of representation and warranty insurance	617

i) Adjustment to record deferred income tax assets and liabilities resulting from pro forma fair value adjustments for the assets and liabilities acquired. The estimate of deferred income tax assets and liabilities is preliminary and is subject to change based upon management's final determination of the fair value of assets acquired and liabilities assumed.

Adjustments to current deferred tax asset	263
Adjustments to non-current deferred tax liability	3,631

Note 4.

Pro Forma Condensed Statements of Operations Adjustments

The pro forma condensed combined consolidated statements of operations assume that the acquisition occurred as of January 1, 2013. The pro forma condensed consolidated statements of operations do not included any costs related to the acquisition. In addition, the pro forma condensed consolidated statements of operations do not assume any impacts from revenue, costs, or other operating synergies that are expected as a result of the acquisition. Pro forma adjustments have been made to reflect amortization of the identified intangible assets for the related periods. Identified intangible assets are being amortized on a basis approximating the economic value derived from those assets.

The pro forma adjustments included in the Unaudited Pro Forma Condensed Combined Consolidated Statements of Operations are as follows:

j) Adjustments to eliminate IOS' historical depreciation expense and record the preliminary estimate of depreciation expense. The favorable change in depreciation expense primarily relates to preliminary valuation increases in longer lived assets and reductions in value to shorter lived assets.

	Depreciation expense for the year ended December 31, 2013	Depreciation expense for the nine-months ended September 30, 2014
Preliminary estimate of property, plant and equipment depreciation (cost of sales)	4,815	3,610
Preliminary estimate of property, plant and equipment depreciation (selling and administrative)	476	357
IOS historical depreciation expense (cost of sales)	(4,410)	(4,247)
IOS historical depreciation expense (selling and administrative)	(279)	(422)
Pro forma adjusted depreciation expense	602	(702)

k) Adjustments to eliminate IOS' historical amortization expense and record the preliminary estimate of amortization expense.

	Amortization expense for the year ended December 31, 2013	Amortization expense for the nine-months ended September 30, 2014
Preliminary estimate of other intangible amortization expense	4,510	3,383
IOS historical amortization expense	(4,088)	(3,182)
Pro forma adjusted amortization expense	422	201

l) Adjustment represents the elimination of historical interest and deferred financing costs of IOS and records estimated costs of the Company.

	Assumed interest rate	Debt	Interest expense for the year ended December 31, 2013	Interest expense for the nine-months ended September 30, 2014
Total new variable rate debt and related interest expense	2.00%	$167,138	$ 3,343	$ 2,507
Amortization of debt issuance costs			334	251
Total			3,677	2,758
IOS interest expense and amortization of debt issuance costs			(10,115)	(8,464)
Pro forma interest expense adjustment			(6,438)	(5,706)

m) Adjustment to eliminate transaction related costs and the related tax effects as of December 31, 2013 and September 30, 2014 as these costs are directly related to the acquisition and will not have an ongoing impact. These historical amounts have been eliminated within the statement of operations but are reflected within retained earnings. No transaction costs were incurred by L.B. Foster related to the transaction for the period up to September 30, 2014.

Historical IOS transaction related costs	(293)	(282)

n) Adjustment to record the amortization of the representations and warranty insurance premium.

Record amortization expense related to representations and warranty insurance premium	124	93

o) Adjustment to record the tax effect of pro forma adjustments. A combined statutory federal and state tax rate of 38.5% was applied to each pro forma adjustment. The effective tax rate of the combined company could be significantly different depending on post-acquisition activities, such as the geographical mix of taxable income affecting state and foreign taxes, among other factors.