

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

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES
 EXCHANGE ACT OF 1934 (No Fee Required)

For the Fiscal Year Ended December 31, 2000
 OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
 EXCHANGE ACT OF 1934 (No Fee Required)

For the Transition Period from _____ to _____

Commission File Number 0-10436

L. B. FOSTER COMPANY
 (Exact name of registrant as specified in its charter)

Pennsylvania 25-1324733
 (State of Incorporation) (I.R.S. Employer Identification No.)

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

Registrant's telephone number, including area code: (412) 928-3417

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

Title of Each Class -----	Name of Each Exchange On Which Registered -----
None	

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

Common Stock, Par Value \$.01

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

The aggregate market value on March 23, 2001 of the voting stock held by nonaffiliates of the Company was \$31,927,620. Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date.

Class -----	Outstanding at March 23, 2001 -----
Common Stock, Par Value \$.01	9,438,112 Shares

Documents Incorporated by Reference:

Portions of the Proxy Statement prepared for the 2001 annual meeting of stockholders are incorporated by reference in Items 10, 11, 12 and 13 of Part III.

PART I

ITEM 1. BUSINESS

Summary Description of Businesses

L. B. Foster Company is engaged in the manufacture, fabrication and distribution of products that serve the nation's surface transportation infrastructure. As used herein, "Foster" or the "Company" means L. B. Foster Company and its divisions and subsidiaries, unless the context otherwise requires.

For rail markets, Foster provides a full line of new and used rail, trackwork, and accessories to railroads, mines and industry. The Company also designs and produces concrete railroad products, insulated rail joints, power rail, track fasteners, coverboards, signaling and communication devices, and special accessories for mass transit and other rail systems worldwide.

For the construction industry, the Company sells and rents steel sheet, H-bearing and pipe piling for foundation and earth retention requirements. In addition, Foster supplies bridge decking, expansion joints, mechanically stabilized earth wall systems, precast concrete products and other products for highway construction and repair.

For tubular markets, the Company supplies pipe coatings for natural gas pipelines and utilities. The Company also produces threaded products for industrial water well and irrigation markets.

The Company classifies its activities into three business segments: Rail products, Construction products, and Tubular products. Financial information concerning the segments is set forth in Note 20 to the financial statements included in the Company's Annual Report to Stockholders for 2000. The following table shows for the last three fiscal years the net sales generated by each of the current business segments as a percentage of total net sales.

Percentage of Net Sales			
	2000	1999	1998
Rail Products	52%	59%	55%
Construction Products	40%	31%	24%
Tubular Products	8%	10%	21%
	100%	100%	100%

As of January 1, 2000, the Company elected to change the reporting segment of its Buildings division, acquired with the 1999 CXT Incorporated acquisition, from rail to construction products. The 1999 results have been restated to conform to the current presentation.

RAIL PRODUCTS

L. B. Foster Company's rail products include heavy and light rail, relay rail, concrete ties, insulated rail joints, rail accessories, transit products and signaling and communication devices. The Company is a major rail products supplier to industrial plants, contractors, railroads, mines and mass transit systems.

The Company sells heavy rail mainly to transit authorities, industrial companies, and rail contractors for railroad sidings, plant trackage, and other carrier and material handling applications. Additionally, the Company makes some sales of heavy rail to railroad companies and to foreign buyers. The Company sells light rail for mining and material handling applications.

Rail accessories include trackwork, ties, track spikes, bolts, angle bars and other products required to install or maintain rail lines. These products are sold to railroads, rail contractors and industrial customers and are manufactured within the Company or purchased from other manufacturers.

The Company's Allegheny Rail Products (ARP) division engineers and markets insulated rail joints and related accessories for the railroad and mass transit industries, worldwide. Insulated joints are made in-house and subcontracted.

The Company's Transit Products division supplies power rail, direct fixation fastener, coverboards and special accessories primarily for mass transit systems. Most of these products are manufactured by subcontractors and are usually sold by sealed bid to transit authorities or to rail contractors, worldwide.

The Company's Mining division sells new and used rail, rail accessories, trackwork from the Pomeroy, OH plant and iron clad ties from the Watson-Haas Lumber division in St. Mary's, WV. The Pomeroy, OH plant also produces trackwork for industrial and export markets.

The Company's Rail Technologies subsidiary develops rail signaling and communication devices for North American railroads.

The Company's CXT subsidiary manufactures engineered concrete products for the railroad and transit industries. CXT's product line includes prestressed concrete railroad ties and grade railroad crossing panels.

CONSTRUCTION PRODUCTS

L. B. Foster Company's construction products consist of sheet and bearing piling, fabricated highway products, and precast concrete buildings.

Sheet piling products are interlocking structural steel sections that are generally used to provide lateral support at construction sites. Bearing piling products are steel H-beam sections which, in their principal use, are driven into the ground for support of structures such as bridge piers and high-rise buildings. Sheet piling is sold or leased and bearing piling is sold principally to contractors and construction companies.

Other construction products consist of precast concrete buildings, sold principally to national parks, and fabricated highway products. Fabricated highway products consist principally of bridge decking, aluminum bridge rail and other bridge products, which are fabricated by the Company, as well as mechanically stabilized earth wall systems. The major purchasers of these products are contractors for state, municipal and other governmental projects.

Sales of the Company's construction products are partly dependent upon the level of activity in the construction industry. Accordingly, sales of these products have traditionally been somewhat higher during the second and third quarters than during the first and fourth quarters of each year.

TUBULAR PRODUCTS

The Company provides fusion bond and other coatings for corrosion protection on oil, gas and other pipelines. The Company also supplies special pipe products such as water well casing, column pipe, couplings, and related products for agricultural, municipal and industrial water wells.

MARKETING AND COMPETITION

L. B. Foster Company generally markets its rail, construction and tubular products directly in all major industrial areas of the United States through a national sales force of 46 salespeople. The Company maintains 19 sales offices and 19 plants or warehouses nationwide. During 2000, less than 5% of the Company's total sales were for export.

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

RAW MATERIALS AND SUPPLIES

Most of the Company's inventory is purchased in the form of finished or semifinished product. With the exception of relay rail which is purchased from railroads or rail take-up contractors, the Company purchases most of its inventory from domestic and foreign steel producers. There are few domestic suppliers of new rail products and the Company could be adversely affected if a domestic supplier ceased making such material available to the Company. Additionally, the Company has become TXI Chaparral Steel's exclusive North American distributor of steel sheet piling and H-bearing pile. See Note 18 to the consolidated financial statements for additional information on this matter.

The Company's purchases from foreign suppliers are subject to the usual risks associated with changes in international conditions and to United States laws which could impose import restrictions on selected classes of products and antidumping duties if products are sold in the United States below certain prices.

BACKLOG

The dollar amount of firm, unfilled customer orders at December 31, 2000 and 1999 by segment follows:

(in thousands)	December 31, 2000	December 31, 1999
Rail Products	\$ 86,351	\$ 107,457
Construction Products	52,779	45,463
Tubular Products	2,219	2,012
	\$141,349	\$ 154,932

The 1999 presentation has been restated to reflect the January 1, 2000 change in reporting segment of the buildings division, acquired in the 1999 CXT Incorporated acquisition, from rail to construction products. This change resulted in a backlog shift of \$3.6 million.

The reduction in Rail segment backlog reflects the effect of CXT long-term production contracts. Total shipments under these contracts were \$16.7 million in 2000.

Aproximately 70% of the December 31, 2000 backlog is expected to ship in 2001.

RESEARCH AND DEVELOPMENT

The Company's expenditures for research and development are negligible.

ENVIRONMENTAL DISCLOSURES

While it is not possible to quantify with certainty the potential impact of actions regarding environmental matters, particularly for future remediation and other compliance efforts, in the opinion of management compliance with environmental protection laws will not have a material adverse effect on the financial condition, competitive position, or capital expenditures of the Company. However, the Company's efforts to comply with stringent environmental regulations may have an adverse effect on the Company's future earnings.

EMPLOYEES AND EMPLOYEE RELATIONS

The Company has 743 employees, of whom 439 are hourly production workers and 304 are salaried employees. Approximately 227 of the hourly paid employees are represented by unions. The Company has not suffered any major work stoppages during the past five years and considers its relations with its employees to be satisfactory.

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

ITEM 2. PROPERTIES

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

Location	Function	Acres	Business Segment	Lease Expires
Birmingham, Alabama	Pipe coating.	32	Tubular	2007
Doraville, Georgia	Fabrication of components for highways.	28	Tubular, Rail and Construction	Owned
	Yard storage.			
Niles, Ohio	Rail fabrication. Yard storage.	35	Rail	Owned
Pomeroy, Ohio	Trackwork manufacturing.	5	Rail	Owned
Houston, Texas	Casing, upset tubing, threading, heat treating and painting. Yard storage.	65	Tubular, Rail and Construction	Owned
Bedford, Pennsylvania	Bridge component fabricating plant.	10	Construction	Owned
Pittsburgh, Pennsylvania	Corporate Headquarters.	-	Corporate	2007
Georgetown, Massachusetts	Bridge component fabricating plant	11	Construction	Owned
Spokane, Washington	CXT concrete tie, crossings and pre-cast plants. Yard storage.	26	Rail	2003
Grand Island, Nebraska	CXT concrete tie plant	9	Rail	2003
Hillsboro, Texas	Precast concrete facility	9	Construction	2002

Including the properties listed above, the Company has 19 sales offices and 19 warehouse, plant and yard facilities located throughout the country. The Company's facilities are in good condition and the Company believes that its production facilities are adequate for its present and foreseeable requirements.

ITEM 3. LEGAL PROCEEDINGS

The Company was convicted, after a jury trial in Houston, TX, of unlawful disposal of used oil and hazardous waste at its facility in Houston, TX, and was fined \$170,000. The Company does not believe that these convictions are justified and has appealed.

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

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED MATTERS

Stock Market Information

The Company had 815 common shareholders of record on January 31, 2001. Common stock prices are quoted daily through the National Association of Security Dealers, Inc. in its over-the-counter NASDAQ quotation service (Symbol FSTR). The quarterly high and low bid price quotations for common shares (which represent prices between broker-dealers and do not include markup, markdown or commission and may not necessarily represent actual transactions) follow:

Quarter	2000		1999	
	High	Low	High	Low
First	\$ 5 1/2	\$ 4	\$ 6 1/2	\$ 4 9/16
Second	4 5/16	3 3/16	5 31/32	4 5/8
Third	4	3 3/16	5 15/16	4 13/16
Fourth	3 9/16	2 1/2	5 3/8	4 5/8

Dividends

No cash dividends were paid on the Company's Common stock during 2000 and 1999.

ITEM 6. SELECTED FINANCIAL DATA

(All amounts are in thousands, except per share data)

Income Statement Data	Year Ended December 31,				
	2000 (1)	1999	1998 (2)	1997	1996
Net sales	\$264,614	\$241,923	\$219,449	\$220,343	\$243,071
Operating profit	6,920	9,327	8,478	7,912	8,195
Net income from continuing operations	3,119	4,618	5,065	3,765	3,858
Income (loss) from discontinued operations, net of tax	371	(2,115)	(688)	(478)	
Net income	3,490	2,503	4,377	3,287	3,858
Basic earnings (loss) per common share:					
Continuing operations	0.33	0.48	0.51	0.37	0.39
Discontinued operations	0.04	(0.22)	(0.07)	(0.05)	
Basic earnings per common share	0.37	0.26	0.44	0.32	0.39
Diluted earnings (loss) per common share:					
Continuing operations	0.33	0.46	0.50	0.37	0.38
Discontinued operations	0.04	(0.21)	(0.07)	(0.05)	
Diluted earnings per common share	0.37	0.25	0.43	0.32	0.38

Balance Sheet Data	December 31,				
	2000	1999	1998	1997	1996
Total assets	\$177,147	\$164,731	\$119,434	\$126,969	\$123,004
Working capital	71,477	67,737	54,604	60,096	62,675
Long-term debt	43,484	44,136	13,829	17,530	21,816
Stockholders' equity	77,359	74,650	73,494	70,527	67,181

(1) 2000 includes pretax charges of approximately \$1,349,000 related to the Company's plan to consolidate sales and administrative functions and plant operations, a pretax gain of approximately \$800,000 on the sale of an undeveloped 62-acre property located in Houston, TX, and an after-tax gain on the sale of the Monitor Group, classified as a discontinued operation, of \$900,000.

(2) In 1998, the Company recognized a pretax gain on the sale of the Fosterweld division of the tubular segment of approximately \$1,700,000, a write-down of approximately \$900,000 on property subject to a sale negotiation, and a provision for losses of approximately \$900,000 relating to certain sign structure contracts in the construction segment.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

In thousands	Three Months Ended December 31,		Twelve Months Ended December 31,		
	2000	1999	2000	1999	1998
Net Sales:					
Rail Products	\$ 31,215	\$ 39,346	\$138,635	\$141,952	\$121,271
Construction Products	23,184	23,299	106,280	75,010	51,870
Tubular Products	4,596	3,700	19,511	24,676	46,044
Other	10	27	188	285	264
Total Net Sales	\$ 59,005	\$ 66,372	\$264,614	\$241,923	\$219,449
Gross Profit:					
Rail Products	\$ 3,629	\$ 6,908	\$ 16,762	\$ 20,699	\$ 18,675
Construction Products	4,440	3,918	18,157	13,412	9,440
Tubular Products	788	532	3,411	3,952	5,675
Other	267	(339)	(496)	(978)	(578)
Total Gross Profit	9,124	11,019	37,834	37,085	33,212
Expenses:					
Selling and Administrative Expenses	7,563	7,980	30,914	27,758	24,734
Interest Expense	1,097	1,072	4,227	3,230	1,631
Other Income	(301)	(293)	(2,506)	(1,184)	(1,731)
Total Expenses	8,359	8,759	32,635	29,804	24,634
Income from Continuing Operations,					
Before Income Taxes	765	2,260	5,199	7,281	8,578
Income Tax Expense	306	859	2,080	2,663	3,513
Income from Continuing Operations	459	1,401	3,119	4,618	5,065
Income (Loss) from Discontinued Operations, Net of Tax					
		(1,448)	371	(2,115)	(688)
Net Income (Loss)	\$ 459	\$ (47)	\$ 3,490	\$ 2,503	\$ 4,377
Gross Profit %:					
Rail Products	11.6%	17.6%	12.1%	14.6%	15.4%
Construction Products	19.2%	16.8%	17.1%	17.9%	18.2%
Tubular Products	17.1%	14.4%	17.5%	16.0%	12.3%
Total Gross Profit %	15.5%	16.6%	14.3%	15.3%	15.1%

As of January 1, 2000, the Company elected to change the reporting segment of its Buildings division, acquired with the 1999 CXT acquisition, from rail to construction products. The 1999 results have been restated to conform to the current presentation.

FOURTH QUARTER OF 2000 VS. FOURTH QUARTER OF 1999

The income from continuing operations for the current quarter was \$0.46 million or \$0.05 per diluted share. This compares to a 1999 fourth quarter income from continuing operations of \$1.4 million or \$0.14 per diluted share. Net sales in 2000 were \$59.0 million or 11.1% lower than the comparable quarter last year.

The fourth quarter of 1999 included a nonrecurring, noncash charge of \$1.2 million resulting from the Company's decision to classify the Monitor Group, sold in September 2000, as a discontinued operation. Fourth quarter 1999 net operating losses from the Monitor Group were \$0.2 million.

Rail products' net sales of \$31.2 million declined 20.7% from the 1999 fourth quarter. This decline reflects the continuing downturn in the rail supply industry as a result of reduced capital spending by the Class I railroads which continues to adversely impact shipments and margins. Construction products' net sales in the 2000 fourth quarter were consistent with the segment's sales in the same period last year. Tubular products' net sales increased 24.2% from last year's fourth quarter as threaded products shipments and pipe coating services increased. Changes in net sales are primarily the result of changes in volume rather than changes in pricing.

The gross margin percentage for the total Company declined to 15.5% in the 2000 fourth quarter from 16.6% in the same period last year. The gross margin percentage for the rail products segment declined to 11.6% from 17.6% due to the downturn in the rail supply industry which resulted in excess capacity and pressure on margins throughout the rail supply industry. Construction products' gross margin percentage increased to 19.2% from 16.8% due to increased margins in Buildings division products and certain fabricated products. The gross margin percentage for tubular products increased 2.7 percentage points in the fourth quarter of 2000 from the same period last year primarily due to increased utilization of the Birmingham plant.

Results for the fourth quarter of 2000 include a nonrecurring pretax charge of \$123,000 related to the Company's plan to improve its financial performance by consolidating sales and administrative functions and plant operations. Selling and administrative expenses declined 5.2% from the same period last year principally due to a reduction in depreciation and amortization expense related to the Monitor Group which was sold in September of 2000. The income tax provision for the fourth quarter of 2000 was recorded at 40.0% compared to 38.0% in the 1999 fourth quarter. See Note 13 to the consolidated financial statements for more information regarding income taxes.

THE YEAR 2000 COMPARED TO THE YEAR 1999

Income from continuing operations for 2000 was \$3.1 million or \$0.33 per diluted share on net sales of \$264.6 million. This compares to an income from continuing operations of \$4.6 million or \$0.46 per diluted share on net sales of \$241.9 million.

Net operating losses (net of tax) from the Monitor Group, classified as a discontinued operation on December 31, 1999, were \$0.5 million and \$0.9 million in 2000 and 1999, respectively. In September 2000, the Company sold the assets of the Monitor Group for \$1.5 million cash which resulted in a \$0.9 million gain, net of tax, reflected in discontinued operations.

Rail products' net sales declined 2.3% to \$138.6 million despite the inclusion of CXT Incorporated (CXT) results in 2000. Rail sales, excluding CXT results, declined 14.5% from the prior year. The decline from the prior year reflects the continuing downturn in the rail supply industry as a result of spending cutbacks by the major railroads which continues to adversely impact shipments and margins. Construction products' sales rose 41.7% as improved availability and strong demand increased shipments of H-bearing pile and flat web sheet piling in the first three quarters of 2000. Tubular products' sales declined 20.9% in 2000 versus 1999 as a result of a downturn in the pipe coating market during the first nine months of 2000. Additionally, 1999 results included the sale of the remaining coated pipe inventory from the Newport facility.

The gross margin percentages for the Company in 2000 and 1999 were 14.3% and 15.3%, respectively. Rail products' gross margin percentage declined to 12.1% from 14.6% due to the continuing downturn in the rail supply industry which resulted in excess capacity and pressure on margins throughout the rail supply industry. The gross margin percentage for construction products declined 0.8 percentage points as improving results in the Buildings division offset lower margins on sign structure projects. Tubular products' gross margin percentage improved 1.5 percentage points due to more efficient operations at the Langfield, TX pipe threading facility.

Results for 2000 include nonrecurring pretax charges totaling \$1.35 million, of the original \$1.6 million estimate, related to the Company's plan to improve its financial performance by consolidating sales and administrative functions and plant operations. These charges are comprised of approximately \$1.0 million severance, of which \$0.6 million had been paid prior to year-end, and \$0.35 million asset impairments and other administrative costs. The Company expects to record the balance as it implements the remaining portions of the plan during 2001 (see Other Matters). The costs accrued for the implemented programs were based upon management estimates using the latest information available at the time the accrual was established.

Selling and administrative expenses have increased 11.4% over last year due to the inclusion of expenses associated with CXT operations and the special charges previously mentioned. Interest expense increased over the prior year due to an increase in outstanding borrowings associated with the acquisition of CXT in June 1999. Other income in 2000 includes approximately \$0.8 million from the sale of a Houston, TX property, \$0.8 million accrued dividend income on DM&E

Preferred Stock, \$0.6 million DM&E interest income, and \$0.3 million interest collected on other receivables. The provision for income taxes was recorded at 40.0% in 2000 compared to 36.6% in 1999. The 1999 provision reflected the implementation of certain one-time tax planning strategies. See Note 13 to the consolidated financial statements for more information regarding income taxes.

THE YEAR 1999 COMPARED TO THE YEAR 1998

Income from continuing operations for 1999 was \$4.6 million or \$0.48 per share on net sales of \$241.9 million. This compares to income from continuing operations of \$5.1 million or \$0.51 per share for 1998 on net sales of \$219.4 million.

Net operating losses from the Monitor Group, classified as a discontinued operation on December 31, 1999, were \$0.9 million in 1999 versus \$0.7 million in 1998.

Rail products' 1999 net sales were \$142.0 million compared to \$121.3 million in 1998. This 17.1% increase was primarily due to sales by CXT. Additionally, new rail and transit products' increased sales volumes offset lower volumes in Allegheny Rail Products and relay rail products. Construction products' net sales rose 44.6% to \$75.0 million in 1999, as the Company benefitted from an entire year of Foster geotechnical sales, as well as increased volume of H-bearing pile, flat web sheet piling, and fabricated products shipments. Net sales of tubular products declined 46.4% in 1999 as a result of the sale of the Company's Fosterweld division and the closing of the Newport, KY pipe coating facility.

The gross margin percentage for the Company was 15.3% in 1999 and 15.1% in 1998. Rail products' gross margin percentage declined 0.8 percentage points from 1998, primarily due to lower margins on certain relay rail, Allegheny Rail Products, and transit projects. The gross profit percentage for construction products remained at approximately 18.0% in 1999, as improved fabricated products and geotechnical margins offset reduced piling margins. Tubular products' gross margin percentage increased to 16.0% in 1999 from 12.3% in 1998 primarily due to more efficient operations at the Langfield, TX pipe threading facility, and the closure of the Newport, KY coated pipe facility.

Selling and administrative expenses for 1999 were 12.2% higher than in 1998. The increase was primarily due to added expenses associated with the operation of CXT, as well as an entire year of expenses related to the Company's Geotechnical and Rail Technologies operations. Interest expense rose due to an increase in outstanding borrowings, associated with the CXT acquisition. Other income in 1999 included dividend income and accrued interest on the DM&E stock owned by the Company. The provision for income taxes in 1999 is recorded at 36.6% versus 41.0% in 1998. The decrease in the effective tax rate from 1998 is due primarily to the effect of adjustments to prior year tax liabilities. See Note 13 to the consolidated financial statements for more information regarding income taxes.

LIQUIDITY AND CAPITAL RESOURCES

The Company generates internal cash flow from the sale of inventory and the collection of accounts receivable. During 2000, the average turnover rate for accounts receivable was slightly higher than in 1999 due to the acquisition of CXT. The average turnover rate for inventory was slower in 2000 than in 1999 particularly for relay rail and piling products. Working capital at December 31, 2000 was \$71.5 million compared to \$67.7 million in 1999.

During the first quarter of 1999, the Company announced a program to purchase up to 1,000,000 shares of its common stock. As of December 31, 2000, 448,398 shares had been purchased under this program at a cost of \$2.2 million. The Company has slowed its repurchasing activities, pending improved market conditions.

The Company had capital expenditures of approximately \$4.1 million in 2000. Capital expenditures for continuing operations in 2001 are expected to be at similar levels, and are anticipated to be funded by cash flow from operations and available external financing sources.

Total revolving credit agreement borrowings at December 31, 2000, were \$46.5 million, an increase of \$1.5 million from the end of the prior year. At December 31, 2000, the Company had \$11.7 million in unused borrowing commitment. Outstanding letters of credit at December 31, 2000, were \$4.0 million. Management believes its internal and external sources of funds are adequate to meet anticipated needs.

In accordance with the original terms and conditions of the Company's revolving credit agreement, the line of credit was reduced from \$70.0 million to \$64.0 million in September 2000 due to asset sales. The interest rate is, at the Company's option, based on the Euro-bank rate (LIBOR), the domestic certificate of deposit rate (CD rate), or the prime rate. The interest rates are established quarterly based upon cash flow and the level of outstanding borrowings to debt as defined in the agreement. Interest rates range from the LIBOR rate plus 0.575% to 1.8%, the CD rate plus 0.575% to 1.8%, and the prime rate to prime plus 0.25%. Borrowings under the agreement, which expires July 1, 2003, are secured by eligible accounts receivable, inventory, and the pledge of the Company-held Dakota, Minnesota & Eastern Railroad Corporation Preferred Stock.

The agreement includes financial covenants requiring a minimum net worth, a minimum level for the fixed charge coverage ratio, and a maximum level for the consolidated total indebtedness to EBITDA ratio. The agreement also restricts investments, indebtedness, and the sale of certain assets.

DAKOTA, MINNESOTA AND EASTERN RAILROAD

The Company maintains a significant investment in the Dakota, Minnesota & Eastern Railroad Corporation (DM&E), a privately-held, regional railroad which operates over 1,100 miles of track in five states.

At December 31, 2000, the Company's investment was comprised of, \$0.2 million of DM&E common stock, \$1.5 million of Series B Preferred Stock and warrants and \$6.0 million of Series C Preferred Stock and warrants. On a fully diluted basis, the Company owns approximately 16% of the DM&E's common stock. Although the

market value of the DM&E is not readily determinable, management believes that this investment, regardless of the Powder River Basin project, is worth more than its historical cost.

The DM&E announced in June 1997 that it plans to build an extension from the DM&E's existing line into the low sulfur coal market of the Powder River Basin in Wyoming and to rebuild approximately 600 miles of its existing track (the Project). The estimated cost of this project is expected to be in excess of \$1.5 billion.

The Project is subject to approval by the Surface Transportation Board (STB). In December 1998, the STB made a finding that the DM&E had satisfied the transportation aspects of applicable regulations. The STB issued a draft environmental impact statement for the Project in September 2000, with a comment period extending to March 6, 2001. New construction on this project may not begin until the STB reaches a final decision.

The DM&E has stated that it could repay project debt and cover its operating costs if it captures a 5% market share in the Powder River Basin. If the Project proves to be viable, management believes that the value of the Company's investment in the DM&E could increase dramatically.

OTHER MATTERS

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During the first quarter of 2001, the Company has committed to expand its concrete products operations, primarily the fabrication of precast buildings. In order to better serve the southwest and southern market areas, the Company has entered into agreements to lease land, a building and production equipment in Hillsboro, TX. The Company expects production to commence in the third quarter of 2001.

Also in the first quarter of 2001, the Company made a decision to terminate operations at its leased sign structure production facility in Ephrata, PA. The backlog will be completed at the Company's Doraville, GA facility while management evaluates the future of its sign structure operation. Costs related to the closing of the Ephrata facility are expected to be immaterial.

The contemplated sale of the Doraville, GA location did not materialize and, therefore, the buildings and approximately 28 acres of land at this location have been reclassified from held for resale to property, plant and equipment. The Company continues to use this facility in its operations.

In September 2000, the Company sold the assets of the Monitor Group for \$1.5 million cash. Additional revenues may be derived from an earn-out agreement that is based upon the buyer's future sales.

In August 2000, the Company contributed a note, having principal and interest of approximately \$2.7 million, to a limited liability company created by the Company and its trackwork supplier in exchange for a 30% ownership position.

In March 2000, the Company sold an undeveloped 62-acre portion of a 127-acre Houston, TX property for approximately \$2.0 million. The pretax gain on the sale was \$0.8 million.

On June 30, 1999, the Company acquired all of the outstanding stock of CXT Incorporated for approximately \$17.5 million of which approximately \$4.2 million was acquired goodwill. Based in Spokane, WA, CXT is a manufacturer of engineered prestressed and precast concrete products primarily used in the railroad and transit industries, and precast concrete buildings.

In September 1998, the Company suspended production at its Newport, KY pipe coating facility due to unfavorable market conditions. During 2000, machinery and equipment previously utilized in the facility were dismantled and transferred to the Company's Birmingham, AL location. Management is actively pursuing the sale of these assets.

In August 1998, the Company purchased assets primarily comprised of intellectual properties related to the business of supplying rail signaling and communication devices for approximately \$1.7 million. Management is evaluating the performance of this operation as product development has been slower than anticipated.

The Company continues to explore the divestiture of its Mining division, which is comprised of facilities and inventory located at Pomeroy, OH and St Marys, WV.

Management continues to evaluate the overall performance of its operations. A decision to terminate an existing operation could have a material adverse effect on near-term earnings but would not be expected to have a material adverse effect on the financial condition of the Company.

OUTLOOK

- - - - -

The Company is TXI Chaparral's exclusive North American distributor of steel sheet piling and H-bearing pile. Shipments of H-bearing pile began in the third quarter of 1999 from Chaparral's Petersburg, VA facility. Current mill forecasts indicate that production quantities of sheet piling will be available early in the second quarter of 2001.

The Rail segment of the business depends on one source, in which the Company currently maintains a 30% ownership position, for fulfilling certain trackwork contracts. At December 31, 2000, the Company had inventory progress payments of \$6.1 million committed to this supplier. If, for any reason, this supplier is unable to perform, the Company could experience a negative short-term effect on earnings.

The Company's CXT subsidiary and Allegheny Rail Products division are dependent on one Class I railroad customer for a significant portion of their business. In addition, much of the Company's business depends on governmental funding of infrastructure projects. Significant changes in the level of government funding of these projects could have a favorable or unfavorable impact on the operating results of the Company. Additionally, governmental actions concerning taxation, tariffs, the environment or other matters could impact the operating results of the Company. The Company's operating results may also be affected by adverse weather conditions.

Although backlog is not necessarily indicative of future operating results, total Company backlog at December 31, 2000, was approximately \$141.3 million. The following table provides the backlog by business segment:

(in thousands)	December 31,		
	2000	1999	1998

Backlog:			
Rail Products	\$ 86,351	\$ 107,457	\$ 62,481
Construction Products	52,779	45,463	42,542
Tubular Products	2,219	2,012	3,541

Total Backlog	\$141,349	\$ 154,932	\$108,564
=====			

The 1999 presentation has been restated to reflect the January 1, 2000 change in reporting segment of the Buildings division, acquired in the 1999 CXT Incorporated acquisition, from rail to construction products. This change resulted in a backlog shift of \$3.6 million. The reduction in the Rail segment backlog reflects the effect of CXT long-term production contracts. Total shipments under these contracts were \$16.7 million in 2000.

MARKET RISK AND RISK MANAGEMENT POLICIES

The Company is not subject to significant exposure to change in foreign currency exchange rates. The Company does, however, hedge the cash flows of the operations of its Canadian subsidiary. The Company manages its exposures to changes in foreign currency exchange rates on firm sales commitments by entering into foreign currency forward contracts. The Company's risk management objective is to reduce its exposure to the effects of changes in exchange rates on sales revenue over the duration of the transaction.

At year end, the Company had foreign currency forward contracts to purchase \$729,000 Canadian for approximately \$488,000 US.

The Company has entered into an interest rate swap agreement as the fixed rate payor to reduce the impact of changes in interest rates on a portion of its revolving borrowings. At December 31, 2000, the swap agreement had a notional value of \$8,000,000 at 5.48%, which expired in January 2001. The swap agreement's floating rate was based on LIBOR. Any amounts paid or received under the agreement are recognized as adjustments to interest expense. Neither the fair market value of the agreement nor the interest expense adjustments associated with the agreement has been material. In addition, the Company has a swap agreement to fix the interest rate of another financial transaction at 7.42%. The Company also agreed to pay additional interest for any period where LIBOR exceeds 7.249%. At December 31, 2000, this swap agreement had a notional value of \$3,661,000 and expires in December 2004. The Company plans to enter into additional swaps or other financial instruments to set all or a portion of its borrowings at fixed rates.

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative financial instruments and hedging activities. In June 1999, FASB Statement No. 137, "Accounting for Derivative Instruments and Hedging Activities: Deferral of Effective Date of the FASB Statement No. 133," was issued. This statement delayed the effective date to all fiscal years beginning after June 15, 2000. This statement will be adopted by the Company in 2001 and will not have a material effect on the consolidated financial statements.

FORWARD-LOOKING STATEMENTS

Statements relating to the potential value or viability of the DM&E or the Project, or management's belief as to such matters, are forward-looking statements and are subject to numerous contingencies and risk factors. The Company has based its assessments on information provided by the DM&E and has not independently verified such information. In addition to matters mentioned above, factors which can adversely affect the value of the DM&E, its ability to complete the Project or the viability of the Project include the following: labor disputes, any inability to obtain necessary environmental and governmental approvals for the Project in a timely fashion, the expense of environmental mitigation measures required by the Surface Transportation Board, an inability to obtain financing for the Project, competitors' responses to the Project, market demand for coal or electricity and changes in environmental and other laws and regulations.

The Company wishes to caution readers that various factors could cause the actual results of the Company to differ materially from those indicated by forward-looking statements made from time to time in news releases, reports, proxy statements, registration statements and other written communications (including the preceding sections of this Management's Discussion and Analysis of Financial Condition and Results of Operations), as well as oral statements made from time to time by representatives of the Company. Additional delays in TXI Chaparral's production of steel sheet piling would, for example, have an adverse effect on the Company's performance. Except for historical information, matters discussed in such oral and written communications are forward-looking statements that involve risks and uncertainties, including but not limited to general business conditions, the availability of material from major suppliers, the impact of competition, the seasonality of the Company's business, taxes, inflation and governmental regulations. Sentences containing words such as "anticipates," "expects," or "will" generally should be considered forward-looking statements.

/s/Roger F. Nejes

Roger F. Nejes
Senior Vice President
Finance and Administration
Chief Financial Officer

/s/Linda K. Patterson

Linda K. Patterson
Controller

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

L.B. FOSTER COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2000 AND 1999

ASSETS	2000	1999
In thousands		

CURRENT ASSETS:		
Cash and cash equivalents	\$ -	\$ 1,558
Accounts receivable - net	57,606	53,112
Inventories - net	59,811	45,601
Current deferred tax assets	2,055	1,925
Other current assets	373	981
Property held for resale	1,333	2,856

Total Current Assets	121,178	106,033

PROPERTY, PLANT AND EQUIPMENT - NET	33,023	30,126

PROPERTY HELD FOR RESALE	1,089	4,203

OTHER ASSETS:		
Goodwill and other intangibles - net	6,772	7,474
Investments	9,423	8,610
Deferred tax assets	1,242	1,720
Other assets	4,420	6,565

Total Other Assets	21,857	24,369

TOTAL ASSETS	\$177,147	\$164,731
=====		
LIABILITIES AND STOCKHOLDERS' EQUITY		
In thousands, except share data		

CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 926	\$ 1,141
Short-term borrowings	6,500	5,000
Accounts payable - trade	33,008	24,446
Accrued payroll and employee benefits	3,503	3,619
Current deferred tax liabilities	1,947	1,857
Other accrued liabilities	3,817	2,233

Total Current Liabilities	49,701	38,296

LONG-TERM DEBT	43,484	44,136

DEFERRED TAX LIABILITIES	5,413	6,293

OTHER LONG-TERM LIABILITIES	1,190	1,356

COMMITMENTS AND CONTINGENT LIABILITIES (Note 17)		

STOCKHOLDERS' EQUITY:		
Common stock, issued 10,228,739 shares in 2000 and 1999	102	102
Paid-in capital	35,306	35,377
Retained earnings	45,995	42,505
Treasury stock - at cost, Common stock, 765,627 shares in 2000 and 590,133 shares in 1999	(4,009)	(3,364)
Accumulated other comprehensive (loss) income	(35)	30

Total Stockholders' Equity	77,359	74,650

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$177,147	\$164,731
=====		

See Notes to Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME FOR
THE THREE YEARS ENDED DECEMBER 31, 2000

In thousands, except per share data	2000	1999	1998
NET SALES	\$264,614	\$241,923	\$219,449

COSTS AND EXPENSES:			
Cost of goods sold	226,780	204,838	186,237
Selling and administrative expenses	30,914	27,758	24,734
Interest expense	4,227	3,230	1,631
Other income	(2,506)	(1,184)	(1,731)
	259,415	234,642	210,871

INCOME FROM CONTINUING OPERATIONS, BEFORE INCOME TAXES	5,199	7,281	8,578
INCOME TAX EXPENSE	2,080	2,663	3,513

INCOME FROM CONTINUING OPERATIONS	3,119	4,618	5,065

INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX	371	(2,115)	(688)

NET INCOME	\$ 3,490	\$ 2,503	\$ 4,377
=====			
BASIC EARNINGS (LOSS) PER COMMON SHARE:			
CONTINUING OPERATIONS	\$ 0.33	\$ 0.48	\$ 0.51
DISCONTINUED OPERATIONS	0.04	(0.22)	(0.07)

BASIC EARNINGS PER COMMON SHARE	\$ 0.37	\$ 0.26	\$ 0.44
=====			
DILUTED EARNINGS (LOSS) PER COMMON SHARE:			
CONTINUING OPERATIONS	\$ 0.33	\$ 0.46	\$ 0.50
DISCONTINUED OPERATIONS	0.04	(0.21)	(0.07)

DILUTED EARNINGS PER COMMON SHARE	\$ 0.37	\$ 0.25	\$ 0.43
=====			

See Notes to Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR
THE THREE YEARS ENDED DECEMBER 31, 2000

In thousands	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income from continuing operations	\$ 3,119	\$ 4,618	\$ 5,065
Adjustment to reconcile net income to net cash provided by operating activities:			
Deferred income taxes	(442)	(133)	581
Depreciation and amortization	5,386	4,493	2,825
(Gain) loss on sale of property, plant and equipment	(879)	76	(1,360)
Change in operating assets and liabilities:			
Accounts receivable	(4,494)	2,243	1,766
Inventories	(14,210)	(5,839)	3,253
Other current assets	608	(208)	(46)
Other noncurrent assets	1,258	(839)	(2,673)
Accounts payable - trade	8,562	544	8,394
Accrued payroll and employee benefits	(156)	(1,576)	1,490
Other current liabilities	1,001	862	1,731
Other liabilities	(166)	249	(1,099)
Net Cash (Used) Provided by Continuing Operations	(413)	4,490	19,927
Net Cash Provided (Used) by Discontinued Operations	954	(1,159)	(968)
Net Cash Provided by Operating Activities	541	3,331	18,959
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from the sale of property, plant and equipment	2,428	4,410	1,269
Proceeds from the sale of Fosterweld division			7,258
Capital expenditures on property, plant and equipment	(4,085)	(5,031)	(2,514)
Purchase of DM&E stock		(6,000)	
Acquisition of businesses		(17,514)	(3,774)
Net Cash (Used) Provided by Investing Activities	(1,657)	(24,135)	2,239
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds (repayments) of revolving credit agreement borrowings	1,500	32,725	(20,836)
Proceeds from industrial revenue bond			2,045
Exercise of stock options and stock awards	185	330	412
Treasury share transactions	(901)	(1,702)	(1,808)
Repayments of long-term debt	(1,207)	(9,881)	(1,293)
Net Cash (Used) Provided by Financing Activities	(423)	21,472	(21,480)
Effect of exchange rate changes on cash	(19)	16	
Net (Decrease) Increase in Cash and Cash Equivalents	(1,558)	684	(282)
Cash and Cash Equivalents at Beginning of Year	1,558	874	1,156
Cash and Cash Equivalents at End of Year	\$ -	\$ 1,558	\$ 874

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Interest Paid	\$ 4,266	\$ 2,376	\$ 1,839
Income Taxes Paid	\$ 1,932	\$ 2,869	\$ 2,136

During 2000, 1999 and 1998, the Company financed certain capital expenditures totaling \$340,000, \$1,502,000 and \$336,000, respectively, through the execution of capital leases.

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF
 STOCKHOLDERS' EQUITY
 FOR THE THREE YEARS ENDED DECEMBER 31, 2000

In thousands, except share data	Common Stock	Paid-in Capital	Retained Earnings	Treas- ury Stock	Accum- ulated Other Compre- hensive Income/ (Loss)	Total
Balance, January 1, 1998	\$ 102	\$35,434	\$35,625	\$ (653)	\$ 19	\$70,527
Net income			4,377			4,377
Other comprehensive loss net of tax:						
Foreign currency translation adjustment					(14)	(14)
Comprehensive income						4,363
Exercise of options to purchase 93,200 shares of Common stock		(3)		415		412
Treasury stock purch- ases of 330,989 shares				(1,808)		(1,808)
Balance, December 31, 1998	102	35,431	40,002	(2,046)	5	73,494
Net income			2,503			2,503
Other comprehensive income net of tax:						
Foreign currency translation adjustment					25	25
Comprehensive income						2,528
Exercise of options to purchase 39,000 shares of Common stock		(54)		384		330
Treasury stock purch- ases of 288,809 shares				(1,702)		(1,702)
Balance, December 31, 1999	102	35,377	42,505	(3,364)	30	74,650
Net income			3,490			3,490
Other comprehensive loss net of tax:						
Foreign currency translation adjustment					(45)	(45)
Minimum pension liability adjustment					(20)	(20)
Comprehensive income						3,425
Exercise of options to purchase 35,500 shares of Common stock		(71)		256		185
Treasury stock purch- ases of 223,100 shares				(901)		(901)
Balance, December 31, 2000	\$ 102	\$35,306	\$45,995	\$(4,009)	\$(35)	\$77,359

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of financial statement presentation - The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions have been eliminated. The term "Company" refers to L. B. Foster Company and its subsidiaries, as the context requires.

Cash equivalents - The Company considers securities with maturities of three months or less, when purchased, to be cash equivalents.

Inventories - Inventories are generally valued at the lower of the last-in, first-out (LIFO) cost or market. Approximately 13% in 2000 and 14% in 1999, of the Company's inventory is valued at average cost or market, whichever is lower.

Property, plant and equipment - Maintenance, repairs and minor renewals are charged to operations as incurred. Major renewals and betterments which substantially extend the useful life of the property are capitalized. Upon sale or other disposition of assets, the cost and related accumulated depreciation and amortization are removed from the accounts and the resulting gain or loss, if any, is reflected in income. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of 30 to 40 years for buildings and 3 to 10 years for machinery and equipment. Leasehold improvements are amortized over 2 to 7 years which represent the lives of the respective leases or the lives of the improvements, whichever is shorter.

Goodwill and other intangible assets - The Company's intangible assets consist primarily of goodwill and acquired intellectual property. Goodwill recorded by the Company represents the excess of the purchase price over the estimated fair value of the net assets acquired. The Company amortizes intangible assets on a straight-line basis over periods of 8 to 25 years and establishes useful lives on the acquisition date based upon the asset's estimated future benefit. When factors indicate the potential impairment of these assets, the excess of the unamortized asset over the asset's estimated fair value, determined using a multiple cash flows model, will be charged to operations. Amortization expense was \$743,000, \$660,000 and \$513,000 in 2000, 1999 and 1998, respectively.

Interest rate agreements - To offset exposures to changes in interest rates on variable rate debt, the Company enters into interest rate swap agreements. The effects of movements in interest rates on these instruments are recognized as they occur.

Environmental remediation and compliance - Environmental remediation costs are accrued when the liability is probable and costs are estimable. Environmental compliance costs, which principally include the disposal of waste generated by routine operations, are expensed as incurred. Capitalized environmental costs are depreciated, when appropriate, over their useful life.

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

Revenue recognition - The Company's revenues are composed of product sales and products and services provided under long-term contracts. The Company recognizes revenues upon shipment of material from stock inventory or upon billing of material shipped directly to the customer from a Company vendor. Title passes to the customer upon shipment. Revenues from long-term contracts are generally recognized using the percentage-of-completion method based upon the proportion of actual labor and engineering costs to estimated total labor and engineering costs. For certain products, the Company recognizes revenues based upon the units delivered compared to total units ordered by the customer.

As certain long-term contracts extend over one or more years, revisions to estimates of costs and profits are reflected in the accounting period in which the facts that require the revisions become known. At the time a loss on a contract becomes known, the entire amount of the estimated loss is recognized in the financial statements. The Company has historically made reasonable dependable estimates of the extent of progress towards completion, contract revenues, and contract costs on its long-term contracts. However, due to uncertainties inherent in the estimation process, actual results could differ materially from those estimates.

Revenue from contract change orders and claims is recognized when the settlement is probable and the amount can be reasonably estimated, and customer approval has been obtained. Contract costs include all direct material, labor, subcontract costs and those indirect costs related to contract performance. Costs and estimated profits in excess of billings are classified as a current asset. Amounts billed in excess of costs and estimated profits are classified as a current liability.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements," which clarifies certain conditions to be met in order to recognize revenue. The

Company implemented SAB 101 in the fourth quarter of 2000. Adoption did not significantly impact the Company's results.

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

Stock-based compensation - The Company grants stock options for a fixed number of shares to employees with an exercise price equal to the fair value of the shares at the date of grant. The Company follows the requirements of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for stock-based compensation, and, accordingly, recognizes no compensation expense for stock option grants.

New accounting pronouncements - In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative financial instruments and hedging activities. In June 1999, FASB Statement No. 137, "Accounting for Derivative Instruments and Hedging Activities: Deferral of Effective Date of the FASB Statement No. 133," was issued. This statement delayed the effective date to all fiscal quarters of all fiscal years beginning after June 15, 2000. This statement will be adopted by the Company in 2001 and will not have a material effect on the consolidated financial statements.

Foreign currency translation - To avoid foreign exchange exposure whenever possible, hedging techniques are used to protect transaction costs and profits.

NOTE 2.
ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2000 and 1999 are summarized as follows:

In thousands	2000	1999
Trade	\$58,036	\$53,665
Allowance for doubtful accounts	(1,564)	(1,555)
Other	1,134	1,002
	\$57,606	\$53,112

The Company's customers are principally in the rail, construction and tubular segments of the economy. As of December 31, 2000 and 1999, trade receivables, net of allowance for doubtful accounts, from customers in these markets were as follows:

In thousands	2000	1999
Rail	\$29,752	\$33,278
Construction	23,722	17,116
Tubular	2,998	1,716
	\$56,472	\$52,110

Credit is extended on an evaluation of the customer's financial condition and generally collateral is not required.

NOTE 3.
INVENTORIES

Inventories at December 31, 2000 and 1999 are summarized as follows:

In thousands	2000	1999
Finished goods	\$41,618	\$28,755
Work-in-process	13,519	13,000
Raw materials	6,964	6,298
Total inventories at current costs	62,101	48,053
Less:		
Current cost over LIFO stated values	(1,690)	(1,852)
Inventory valuation reserve	(600)	(600)
	\$59,811	\$45,601

At December 31, 2000 and 1999, the LIFO carrying value of inventories for book purposes exceeded the LIFO value for tax purposes by approximately \$4,524,000 and \$3,966,000, respectively. A liquidation of certain LIFO inventory layers occurred during 2000 and 1999. The majority of these quantities were carried at costs which were higher than current purchases. The net effect of these fluctuations in 2000 and 1999 was to increase cost of goods sold by \$18,000 and \$531,000, respectively.

NOTE 4.
PROPERTY HELD FOR RESALE

Property held for resale at December 31, 2000 and 1999 consists of the following:

In thousands	2000	1999

Location:		
Birmingham, AL	\$ 1,333	\$ 1,345
Pomeroy, OH	653	665
St. Marys, WV	436	483
Doraville, GA		3,055
Houston, TX		1,511

Property held for resale	2,422	7,059

Less current portion	1,333	2,856

	\$1,089	\$ 4,203
=====		

Operations at the Newport, KY facility were suspended in September 1998 in response to unfavorable market conditions. In 1999, the Company recorded an impairment loss of \$183,000 to reduce these assets to their anticipated market value. Machinery and equipment previously utilized in the Company's Newport, KY pipe coating facility was dismantled and transferred to the Company's Birmingham, AL location during 2000. Management is actively pursuing the sale of these assets.

The Pomeroy, OH and St. Marys, WV locations, consisting of machinery and equipment, buildings, land and land improvements which comprise the Company's mining division of the rail products segment, were determined not to meet the Company's long-range strategic goals. The Company continues to explore the divestiture of these assets.

In 2000, the Company sold an undeveloped 62-acre portion of the 127-acre Houston, TX property and recorded an approximate pretax gain of \$800,000.

NOTE 5.
DISCONTINUED OPERATIONS

In the fourth quarter of 1999, the Company made the decision to discontinue the operations of the Monitor Group, a developer of portable mass spectrometers, as a discontinued operation, pending its sale. In September 2000, the Company sold the assets of the Monitor Group for \$1,500,000 cash. The decision to discontinue the Monitor Group represents the disposal of a business segment under Accounting Principles Board (APB) Opinion No. 30. Accordingly, results of this operation have been classified as discontinued, and prior periods have been restated.

Net sales and income (loss) from the discontinued operations are as follows:

In thousands	2000	1999	1998

Net sales	\$ 1	\$ 73	\$ 26

Pretax operating loss	\$ (882)	\$ (1,347)	\$ (1,165)
Pretax provision for the disposal of assets		(1,984)	
Pretax gain on disposal	1,500		
Income tax (expense) benefit	(247)	1,216	477

Income (loss) from discontinued operations	\$ 371	\$ (2,115)	\$ (688)
=====			

In 1999, the provision for the disposal of assets included a complete write-off of all assets of the Monitor Group. The write-off consisted of the following components, in thousands:

Intangibles	\$ 1,764
Inventory	209
Equipment	11

Total assets	\$ 1,984
=====	

NOTE 6.
PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 2000 and 1999 consists of the following:

In thousands	2000	1999
Land	\$ 6,312	\$ 3,138
Improvements to land and leaseholds	6,019	4,777
Buildings	4,825	3,382
Machinery and equipment, including equipment under capitalized leases (see Note 14, Rental and Lease Information)	41,008	38,703
Construction in progress	335	1,717
	58,499	51,717
Less accumulated depreciation and amortization, including accumulated amortization of capitalized leases (see Note 14, Rental and Lease Information)	25,476	21,591
	\$33,023	\$30,126

Prior year amounts have been reclassified to reflect adjustments in the fair value estimate of assets acquired from CXT Incorporated.

NOTE 7.
OTHER ASSETS AND INVESTMENTS

The Company holds investments in the stock of the Dakota, Minnesota & Eastern Railroad Corporation (DM&E), which is recorded at its historical cost at December 31, 2000 and 1999 of \$7,693,000. This investment is comprised of \$193,000 of DM&E Common Stock, \$1,500,000 of DM&E Series B Preferred Stock and Common Stock warrants, and \$6,000,000 in DM&E Series C Preferred Stock and Common Stock warrants. The Company has accrued dividend income on the Series B and C Preferred Stock of \$813,000 and \$872,000 in 2000 and 1999, respectively. Although the market value of the investments in DM&E stock are not readily determinable, management believes the fair value of this investment exceeds its carrying amount.

At December 31, 1999, other assets also included notes receivable and accrued interest totaling \$2,679,000 from investors in the DM&E. During 2000, approximately \$2,000,000 of the notes and interest were paid and the remaining balance was reclassified to other accounts receivable in anticipation of the repayment of the remaining balance during 2001.

In August 2000, the Company contributed a note, having a principal and interest value of approximately \$2,700,000, to a limited liability company created by the Company and its trackwork supplier in exchange for a 30% ownership position. In conjunction with the contribution, the Company recorded goodwill of approximately \$1,700,000, which is being amortized on a straight-line basis over fifteen years.

NOTE 8.
BORROWINGS

During 2000, the Company reduced the revolving credit agreement to \$64,025,000. The interest rate is, at the Company's option, based on the Euro-bank rate (LIBOR), the domestic certificate of deposit rate (CD rate) or the prime rate. The interest rates are established quarterly based upon cash flow and the level of outstanding borrowings to debt as defined in the agreement. Interest rates range from the LIBOR rate plus 0.575% to 1.8%, the CD rate plus 0.575% to 1.8%, and prime to prime plus 0.25%. Borrowings under the agreement, which expires July 1, 2003, are secured by eligible accounts receivable, inventory, and the pledge of the Company-held Dakota, Minnesota & Eastern Railroad Corporation Preferred Stock.

The agreement includes financial covenants requiring a minimum net worth, a minimum level for the fixed charge coverage ratio and a maximum level for the consolidated total indebtedness to EBITDA ratio. The agreement also restricts investments, indebtedness, and the sale of certain assets.

As of December 31, 2000, the Company was in compliance with all of the agreement's covenants. At December 31, 2000, 1999 and 1998, the weighted average interest rate on short-term borrowings was 8.12%, 6.78% and 6.95%, respectively. At December 31, 2000, the Company had borrowed \$46,500,000 under the agreement of which \$40,000,000 was classified as long-term (see Note 9). Under the agreement, the Company had approximately \$11,726,000 in unused borrowing commitment at December 31, 2000.

NOTE 9.
LONG-TERM DEBT AND RELATED MATTERS

Long-term debt at December 31, 2000 and 1999 consists of the following:

In thousands	2000	1999
Revolving Credit Agreement with weighted average interest rate of 8.12% at December 31, 2000 and 6.78% at December 31, 1999, expiring July 1, 2003	\$40,000	\$40,000
Lease obligations payable in installments through 2004 with a weighted average interest rate of 8.24% at December 31, 2000 and 8.07% at December 31, 1999	2,365	3,232
Massachusetts Industrial Revenue Bond with an average interest rate of 4.75% at December 31, 2000 and 3.53% at December 31, 1999, payable March 1, 2013	2,045	2,045
	44,410	45,277
Less current maturities	926	1,141
	\$43,484	\$44,136

The \$40,000,000 revolving credit borrowings included in long-term debt were obtained under the revolving loan agreement discussed in Note 8 and are subject to the same terms and conditions. This portion of the borrowings is classified as long-term because the Company does not anticipate reducing the borrowings below \$40,000,000 during 2001.

The Massachusetts Industrial Revenue Bond is secured by a \$2,085,000 standby letter of credit.

The Company has entered into an interest rate swap agreement as the fixed rate payor to reduce the impact of changes in interest rates on a portion of its revolving borrowings. At December 31, 2000, the swap agreement had a notional value of \$8,000,000 at 5.48%, which expired in January 2001. The swap agreement's floating rate was based on LIBOR. Any amounts paid or received under the agreement are recognized as adjustments to interest expense. Neither the fair market value of the agreement nor the interest expense adjustments associated with the agreement has been material. In addition, the Company has a swap agreement to fix the interest rate of a financial transaction at 7.42%. The Company also agreed to pay additional interest for any period where LIBOR exceeds 7.249%. At December 31, 2000, this swap agreement had a notional value of \$3,661,000 and expires in December 2004. The Company plans to enter into additional swaps or other financial instruments to set all or a portion of its borrowings at fixed rates.

The maturities of long-term debt for each of the succeeding five years subsequent to December 31, 2000 are as follows:

2001 - \$926,000; 2002 - \$778,000; 2003 - \$40,506,000; 2004 - \$155,000; 2005 and after - \$2,045,000.

NOTE 10.
STOCKHOLDERS' EQUITY

At December 31, 2000 and 1999, the Company had authorized shares of 20,000,000 in Common stock and 5,000,000 in Preferred stock. No Preferred Stock has been issued. The Common stock has a par value of \$.01 per share. No par value has been assigned to the Preferred Stock.

The Company's Board of Directors authorized the purchase of up to 1,500,000 shares of its Common stock at prevailing market prices. The timing and extent of the purchases will depend on market conditions. As of December 31, 2000, the Company had repurchased 948,398 shares at a total cost of approximately \$4,941,800.

No cash dividends on Common stock were paid in 2000, 1999, or 1998.

NOTE 11.
STOCK OPTIONS

The Company has two stock option plans currently in effect under which future grants may be issued: The 1985 Long-Term Incentive Plan (1985 Plan) and the 1998 Long-Term Incentive Plan (1998 Plan).

The 1985 Plan, as amended and restated in March 1994, provides for the award of options to key employees and directors to purchase up to 1,500,000 shares of

Common stock at no less than 100% of fair market value on the date of the grant. The 1998 Plan as amended and restated in February 1999, provides for the award of options to key employees and directors to purchase up to 450,000 shares of Common stock at no less than 100% of fair market value on the date of the grant. Both Plans provide for the granting of "nonqualified options" and "incentive stock options" with a duration of not more than ten years from the date of grant. The Plans also provide that, unless otherwise set forth in the option agreement, options are exercisable in installments of up to 25% annually beginning one year from date of grant. Stock to be offered under the Plans may be authorized from unissued Common stock or previously issued shares which have been reacquired by the Company and held as Treasury shares. At December 31, 2000, 1999 and 1998, Common stock options outstanding under the Plans had option prices ranging from \$2.63 to \$6.00, with a weighted average price of \$4.26, \$4.24 and \$3.96 per share, respectively.

The weighted average remaining contractual life of the stock options outstanding for the three years ended December 31, 2000 are: 2000 - 7.1 years; 1999 - 6.3 years; and 1998 - 5.9 years.

The Option Committee of the Board of Directors which administers the Plans may, at its discretion, grant stock appreciation rights at any time prior to six months before an option's expiration date. Upon exercise of such rights, the participant surrenders the exercisable portion of the option in exchange for payment (in cash and/or Common stock valued at its fair market value) of an amount not greater than the spread, if any, by which the average of the high and low sales prices quoted in the Over-the-Counter Exchange on the trading day immediately preceding the date of exercise of the stock appreciation right exceeds the option price. No stock appreciation rights were issued or outstanding during 2000, 1999 or 1998.

Options exercised during 2000, 1999 and 1998 totaled 35,500, 39,000 and 93,200 shares, respectively. The weighted average exercise price per share of the options in 2000, 1999 and 1998 was \$3.32, \$3.35 and \$3.31, respectively.

Certain information for the three years ended December 31, 2000 relative to employee stock options is summarized as follows:

	2000	1999	1998

Number of shares under Incentive Plan:			
Outstanding at beginning of year	950,500	967,500	858,500
Granted	462,500	135,000	215,000
Canceled	(190,000)	(113,000)	(12,800)
Exercised	(35,500)	(39,000)	(93,200)

Outstanding at end of year	1,187,500	950,500	967,500
=====			
Exercisable at end of year	661,375	656,875	723,875
=====			
Number of shares available for future grant:			
Beginning of year	408,550	5,550	182,750
=====			
End of year	136,050	408,550	5,550
=====			

The weighted average fair value of options granted at December 31, 2000, 1999, and 1998 was \$2.26, \$2.68 and \$2.40, respectively.

The Company has adopted the disclose-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," but applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock option plans. Accordingly, no compensation expense has been recognized. Had compensation expense for the Company's stock option plans been determined using the method required by SFAS No. 123, the effect to the Company's income from continuing operations and earnings per share would have been reduced to the pro forma amounts that follow:

In thousands, except per share amounts	2000	1999	1998

Income from continuing operations	\$2,804	\$4,478	\$4,887
=====			
Basic earnings per common share from continuing operations	\$ 0.29	\$ 0.46	\$ 0.49
=====			
Diluted earnings per common share from continuing operations	\$ 0.29	\$ 0.45	\$ 0.49
=====			

The fair value of stock options used to compute pro forma net income and earnings per share disclosures is the estimated present value at grant date using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in 2000, 1999 and 1998, respectively: risk-free interest rates of 6.02%, 6.14% and 4.77%; dividend yield of 0.0% for all three years; volatility factors of the expected market price of the Company's Common stock of .29, .30 and .31; and a weighted-average expected life of the option of ten years.

Note 12.
Earnings Per Common Share

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

In thousands, except per share amounts	Years ended December 31,		
	2000	1999	1998

Numerator:			
Numerator for basic and diluted earnings per common share - net income available to common stockholders:			
Income from continuing operations	\$ 3,119	\$ 4,618	\$ 5,065
Income (loss) from discontinued operations	371	(2,115)	(688)

Net income	\$ 3,490	\$ 2,503	\$ 4,377
=====			
Denominator:			
Weighted average shares	9,490	9,664	9,988

Denominator for basic earnings per common share	9,490	9,664	9,988
Effect of dilutive securities:			
Contingent issuable shares pursuant to the Company's 1999, 1998 & 1997 Bonus Plan	53	51	15
Employee stock options	15	231	205

Dilutive potential common shares	68	282	220
Denominator for diluted earnings per common share - adjusted weighted average shares and assumed conversions	9,558	9,946	10,208
=====			
Basic earnings (loss) per common share:			
Continuing operations	\$ 0.33	\$ 0.48	\$ 0.51
Discontinued operations	0.04	(0.22)	(0.07)

Basic earnings per common share	\$ 0.37	\$ 0.26	\$ 0.44
=====			
Diluted earnings (loss) per common share:			
Continuing operations	\$ 0.33	\$ 0.46	\$ 0.50
Discontinued operations	0.04	(0.21)	(0.07)

Diluted earnings per common share	\$ 0.37	\$ 0.25	\$ 0.43
=====			
Weighted average anti- dilutive stock options	791	42	54
=====			

NOTE 13.
INCOME TAXES

At December 31, 2000 and 1999, the tax benefit of net operating loss carryforwards available for foreign and state income tax purposes was approximately \$1,808,000 and \$1,063,000, respectively. The Company also has alternative minimum federal tax credit carryforwards at December 31, 2000 and 1999, of approximately \$71,000 and \$430,000, respectively. For financial reporting purposes, a valuation allowance of \$1,206,000 has been recognized to offset the deferred tax assets related to the state and foreign income tax carryforwards. The valuation allowance for deferred tax assets was increased by \$746,000 during 2000 and \$335,000 during 1999. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Significant components of the Company's deferred tax liabilities and assets as of December 31, 2000 and 1999, are as follows:

In thousands	2000	1999

Deferred tax liabilities:		
Depreciation	\$ 5,413	\$ 5,537
Inventories	950	1,154

Total deferred tax liabilities	6,363	6,691
=====		
Deferred tax assets:		
Accounts receivables	569	531
Net operating loss carryforwards	1,808	1,063
Tax credit carryforwards	71	430
Other - net	1,058	622

Total deferred tax assets	3,506	2,646
Valuation allowance for deferred tax assets	1,206	460

Deferred tax assets	2,300	2,186

Net deferred tax liability	\$ (4,063)	\$ (4,505)
=====		

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

In thousands	2000	1999	1998
Current:			
Federal	\$2,423	\$2,746	\$2,594
State	99	50	338
Total current	2,522	2,796	2,932
Deferred:			
Federal	(398)	8	507
Foreign		32	(106)
State	(44)	(173)	180
Total deferred	(442)	(133)	581
Total income tax expense	\$2,080	\$2,663	\$3,513

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

	2000	1999	1998
Statutory rate	34.0%	34.0%	34.0%
State income tax	0.8	(2.1)	4.6
Foreign income tax	5.1	8.4	1.3
Nondeductible expenses	0.1	3.9	1.8
Prior period tax		(7.0)	(0.3)
Other		(0.6)	(0.4)
	40.0%	36.6%	41.0%

NOTE 14.
RENTAL AND LEASE INFORMATION

The Company has capital and operating leases for certain plant facilities, office facilities, and equipment. Rental expense for the years ended December 31, 2000, 1999, and 1998 amounted to \$4,256,000, \$2,449,000 and \$1,885,000, respectively. Generally, the land and building leases include escalation clauses.

On December 30, 1999, the Company entered into a \$4,200,000 sale-leaseback transaction whereby the Company sold and leased back the assets of the Grand Island, NE facility. The resulting lease is being accounted for as an operating lease. There was no gain or loss recorded on the sale. The lease base term is five years with balloon payment options at amounts approximating fair value at the end of the base term. The interest rate for this transaction is 7.42% with escalation provisions if LIBOR exceeds 7.249%.

The following is a schedule, by year, of the future minimum payments under capital and operating leases, together with the present value of the net minimum payments as of December 31, 2000:

In thousands	Capital Leases	Operating Leases
Year ending December 31,		
2001	\$ 1,084	\$ 2,864
2002	862	2,782
2003	537	2,245
2004	159	1,680
2005 and thereafter		1,657
Total minimum lease payments	2,642	\$11,228
Less amount representing interest	277	
Total present value of minimum payments	2,365	
Less current portion of such obligations	926	
Long-term obligations with interest rates ranging from 3.66% to 11.0%	\$ 1,439	

Assets recorded under capital leases are as follows:

In thousands	2000	1999
Machinery and equipment, at cost	\$2,689	\$4,117
Construction in progress	32	180
	2,721	4,297
Less accumulated amortization	943	1,757
Net property, plant and equipment	1,778	2,540
Machinery and equipment held for resale, at cost	2,037	2,046
Less accumulated amortization/ valuation	828	843
Net property held for resale	1,209	1,203
Net prepaid expenses	98	121
Net capital lease assets	\$3,085	\$3,864

NOTE 15.
ACQUISITIONS

On June 30, 1999, the Company acquired all of the outstanding stock of CXT Incorporated, a Spokane, WA based manufacturer of engineered prestressed and precast concrete products primarily used in the railroad and transit industries. The acquisition has been recorded using the purchase method of accounting and has been included in operations since the date of acquisition. The purchase price of \$17,514,000 has been allocated based on the fair values of the assets acquired and liabilities assumed, as of the acquisition date. This allocation has resulted in acquired goodwill of approximately \$4,221,000, which is being amortized on a straight-line basis over twenty years.

Had the CXT acquisition been made at the beginning of 1998, the Company's pro forma unaudited results would have been:

In thousands except per share amounts	Twelve Months Ended December 31,	
	1999	1998
Net sales	\$261,588	\$251,553
Income from continuing operations	4,762	4,213
Basic earnings per share from continuing operations	\$0.49	\$0.42

The unaudited pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which would have actually resulted had the acquisition been in effect on January 1, 1998, or of future results of operations.

NOTE 16.
RETIREMENT PLANS

Substantially all of the Company's hourly paid employees are covered by one of the Company's noncontributory, defined benefit plans and a defined contribution plan. Substantially all of the Company's salaried employees are covered by a defined contribution plan established by the Company.

The hourly plan assets consist of various mutual fund investments. The following tables present a reconciliation of the changes in the benefit obligation, the fair market value of the assets and the funded status of the plan, with the accrued pension cost in other current liabilities in the Company's consolidated balance sheets:

In thousands	2000	1999

Changes in benefit obligation:		
Benefit obligation at beginning of year	\$ 2,452	\$ 2,295
Service cost	61	77
Interest cost	179	155
Actuarial losses	186	8
Benefits paid	(131)	(83)

Benefit obligation at end of year	\$ 2,747	\$ 2,452
=====		
Change to plan assets:		
Fair value of assets at beginning of year	\$ 2,718	\$ 2,287
Actual return on plan assets	(204)	468
Employer contribution		46
Benefits paid	(131)	(83)

Fair value of assets at end of year	\$ 2,383	\$ 2,718
=====		
Funded status	\$ (364)	\$ 266
Unrecognized actuarial loss (gain)	143	(478)
Unrecognized net transition asset	(73)	(83)
Unrecognized prior service cost	64	73
Minimum pension liability	(104)	(18)

Net amount recognized	\$ (334)	\$ (240)
=====		
Amounts recognized in the statement of financial position consist of:		
Accrued benefit cost	\$ (240)	\$ (213)
Accrued benefit liability	(16)	(27)
Other	(78)	

Net amount recognized	\$ (334)	\$ (240)
=====		

The Company's funding policy for defined benefit plans is to contribute the minimum required by the Employee Retirement Income Security Act of 1974. Net periodic pension costs for the three years ended December 31, 2000, are as follows:

In thousands	2000	1999	1998

Components of net periodic benefit cost:			
Service cost	\$ 61	\$ 77	\$ 85
Interest cost	179	155	147
Actual return on plan assets	204	(468)	(212)
Amortization of prior service cost	(16)	(2)	7
Recognized actuarial (loss) gain	(420)	287	31

Net periodic benefit cost	\$ 8	\$ 49	\$ 58

=====
An assumed discount rate of 7% and an expected rate of return on plan assets of 8% were used to measure the projected benefit obligation and develop net periodic pension costs for the three years ended December 31, 2000.

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

In thousands	2000	1999	1998

Projected benefit obligation	\$ 2,747	\$ 657	\$ 575
Accumulated benefit obligation	2,718	657	575
Fair value of plan assets	2,383	629	499
=====			

The Company's defined contribution plan, available to substantially all salaried employees, contains a matched savings provision that permits both pretax and after-tax employee contributions. Participants can contribute from 2% to 15% of their annual compensation and receive a matching employer contribution on up to 3% of their annual compensation.

Further, the plan requires an additional matching employer contribution, based on the ratio of the Company's pretax income to equity, up to 3% of the employees' annual compensation. Additionally, the Company contributes 1% of all salaried employees annual compensation to the plan without regard for employee contribution. The defined contribution plan expense was \$877,000 in 2000, \$863,000 in 1999, and \$874,000 in 1998.

NOTE 17.
COMMITMENTS AND CONTINGENT LIABILITIES

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

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Company.

At December 31, 2000, the Company had outstanding letters of credit of approximately \$3,969,000.

NOTE 18.
RISKS AND UNCERTAINTIES

The Company's future operating results may be affected by a number of factors. The Company is dependent upon a number of major suppliers. If a supplier had operational problems or ceased making material available to the Company, operations could be adversely affected.

The Company has become TXI Chaparral's exclusive North American distributor of steel sheet piling and H-bearing pile. Shipments of H-bearing pile began very late in the third quarter of 1999 from TXI Chaparral's new Petersburg, VA facility. Current mill forecasts indicate that meaningful quantities of sheet piling are expected early in the second quarter of 2001.

The rail segment of the business depends on one source, in which the Company currently maintains a 30% ownership position, for fulfilling certain trackwork contracts. At December 31, 2000, the Company had inventory progress payments of \$6,070,000 committed to this supplier. If, for any reason, this supplier is unable to perform, the Company could experience a negative short-term effect on earnings.

The Company's CXT subsidiary and Allegheny Rail Products division are dependent on one customer for a significant portion of their business. In addition, a substantial portion of the Company's operations are heavily dependent on governmental funding of infrastructure projects. Significant changes in the level of government funding of these projects could have a favorable or unfavorable impact on the operating results of the Company. Additionally, governmental actions concerning taxation, tariffs, the environment or other matters could impact the operating results of the Company. The Company's operating results may also be affected by adverse weather conditions.

NOTE 19.
FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist of accounts receivable, accounts payable, short-term and long-term debt, and interest rate swap agreements.

The carrying amounts of the Company's financial instruments at December 31, 2000 approximate fair value.

NOTE 20.
BUSINESS SEGMENTS

L. B. Foster Company is organized and evaluated by product group, which is the basis for identifying reportable segments. The Company is engaged in the manufacture, fabrication and distribution of rail, construction and tubular products and was previously engaged in the development of portable mass spectrometers.

The Company's rail segment provides a full line of new and used rail, trackwork and accessories to railroads, mines and industry. The Company also designs and produces concrete ties, bonded rail joints, power rail, track fasteners, coverboards and special accessories for mass transit and other rail systems.

The Company's construction segment sells and rents steel sheet piling and H-bearing pile for foundation and earth retention requirements. In addition, the Company's Fabricated Products division sells bridge decking, heavy steel fabrications, expansion joints, sign structures and other products for highway construction and repair. The Company's Geotechnical division designs and supplies mechanically-stabilized earth wall systems. The Company's Buildings division produces concrete buildings.

The Company's tubular segment supplies pipe coatings for pipelines and utilities. Additionally, the Company also produces pipe-related products for special markets, including water wells and irrigation.

The Company markets its products directly in all major industrial areas of the United States primarily through a national sales force.

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

In thousands		2000			
	Net Sales	Segment Profit/(Loss)	Segment Assets	Depreciation/Amortization	Expenditures for Long-Lived Assets
Rail Products	\$138,635	\$ (1,060)	\$ 85,706	\$ 2,614	\$ 1,600
Construction Products	106,280	4,429	53,944	1,391	2,261
Tubular Products	19,511	1,531	9,058	630	211
Total	\$264,426	\$ 4,900	\$ 148,708	\$ 4,635	\$ 4,072

In thousands		1999			
	Net Sales	Segment Profit	Segment Assets	Depreciation/Amortization	Expenditures for Long-Lived Assets
Rail Products	\$141,952	\$ 4,120	\$ 87,419	\$ 700	\$ 20,097
Construction Products	75,010	2,256	35,456	1,050	3,493
Tubular Products	24,676	1,889	8,270	772	323
Total	\$241,638	\$ 8,265	\$ 131,145	\$ 2,522	\$ 23,913

In thousands		1998			
	Net Sales	Segment Profit	Segment Assets	Depreciation/Amortization	Expenditures for Long-Lived Assets
Rail Products	\$121,271	\$ 6,320	\$ 60,500	\$ 470	\$ 1,042
Construction Products	51,870	551	26,063	667	2,022
Tubular Products	46,044	1,698	13,437	1,043	771
Total	\$219,185	\$ 8,569	\$ 100,000	\$ 2,180	\$ 3,835

The 1999 results have been restated to reflect the January 1, 2000 change in reporting segment classification of the Buildings division, acquired with the 1999 CXT acquisition, from rail to construction.

Sales to any individual customer do not exceed 10% of consolidated revenues. Sales between segments are immaterial.

Reconciliations of reportable segment net sales, profit, assets, depreciation and amortization, and expenditures for long-lived assets to the Company's consolidated totals are illustrated as follows:

In thousands			
Net Sales	2000	1999	1998
Total for reportable segments	\$ 264,426	\$ 241,638	\$ 219,185
Other net sales	188	285	264
	\$ 264,614	\$ 241,923	\$ 219,449
Net Profit			
Total for reportable segments	\$ 4,900	\$ 8,265	\$ 8,569
Adjustment of inventory to LIFO	162	332	426
Unallocated other income	2,506	1,184	1,731
Other unallocated amounts	(2,369)	(2,500)	(2,148)
Income from continuing operations, before income taxes	\$ 5,199	\$ 7,281	\$ 8,578
Assets			
Total for reportable segments	\$ 148,708	\$ 131,145	\$ 100,000
Unallocated corporate assets	23,913	27,527	13,919
LIFO and market value inventory reserves	(2,290)	(2,452)	(2,784)
Unallocated property, plant and equipment	6,816	8,511	8,299
Total assets	\$ 177,147	\$ 164,731	\$ 119,434
Depreciation/Amortization			
Total reportable for segments	\$ 4,635	\$ 2,522	\$ 2,180
Other	751	1,971	645
	\$ 5,386	\$ 4,493	\$ 2,825
Expenditures for Long-Lived Assets			
Total for reportable segments	\$ 4,072	\$ 23,913	\$ 3,835
Expenditures included in acquisition of business		(17,961)	(1,069)
Expenditures financed under capital leases	(340)	(1,386)	
Expenditures included in property held for sale	(99)	(30)	(60)
Other unallocated expenditures	353	465	69
	\$ 3,986	\$ 5,001	\$ 2,775

Approximately 96% of the Company's total net sales were to customers in the United States, and a majority of the remaining sales were to other North American countries.

All of the Company's long-lived assets are located in North America and almost 100% of those assets are located in the United States.

NOTE 21.
 QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly financial information for the years ended December 31, 2000 and 1999 is presented below:

	2000				
	First Quarter(1) (2)	Second Quarter (1)	Third Quarter (1)(2)(3)	Fourth Quarter (1)	Total
Net sales	\$ 59,489	\$ 71,692	\$ 74,428	\$ 59,005	\$ 264,614
Gross profit	\$ 8,311	\$ 10,240	\$ 10,159	\$ 9,124	\$ 37,834
Income from continuing operations	\$ 328	\$ 950	\$ 1,382	\$ 459	\$ 3,119
Income (loss) from discontinued operations	\$ (176)	\$ (189)	\$ 736	\$ 0	\$ 371
Net income	\$ 152	\$ 761	\$ 2,118	\$ 459	\$ 3,490
Basic earnings (loss) per common share:					
From continuing operations	\$ 0.04	\$ 0.10	\$ 0.15	\$ 0.05	\$ 0.33
From discontinued operations	(0.02)	(0.02)	0.08	0.00	0.04
Basic earnings per common share	\$ 0.02	\$ 0.08	\$ 0.23	\$ 0.05	\$ 0.37
Diluted earnings (loss) per common share:					
From continuing operations	\$ 0.04	\$ 0.10	\$ 0.15	\$ 0.05	\$ 0.33
From discontinued operations	(0.02)	(0.02)	0.08	0.00	0.04
Diluted earnings per common share	\$ 0.02	\$ 0.08	\$ 0.23	\$ 0.05	\$ 0.37

(1) The quarterly results include charges related to the Company's previously announced plan of consolidating sales and administrative functions and plant operations. For the first, second, third and fourth quarters, these pretax charges were \$503,000, \$608,000, \$115,000 and \$123,000, respectively. (2) The first quarter results include an estimated pre-tax gain of \$100,000 on the sale of an undeveloped 62-acre portion of property located in Houston, TX for approximately \$2,000,000. The sale was finalized in the third quarter and an additional pre-tax gain of \$700,000 was recognized at that time. (3) The third quarter includes an after-tax gain on the sale of the Monitor Group of \$900,000 which was classified as a discontinued operation.

	1999				
	First Quarter(1)	Second Quarter (1)	Third Quarter (1)(2)	Fourth Quarter(2)	Total
Net sales	\$ 53,783	\$ 58,743	\$ 63,025	\$ 66,372	\$ 241,923
Gross profit	\$ 7,159	\$ 8,945	\$ 9,962	\$ 11,019	\$ 37,085
Income from continuing operations	\$ 694	\$ 1,497	\$ 1,026	\$ 1,401	\$ 4,618
Loss from discontinued operations	\$ (234)	\$ (259)	\$ (174)	\$ (1,448)	\$ (2,115)
Net income (loss)	\$ 460	\$ 1,238	\$ 852	\$ (47)	\$ 2,503
Basic earnings (loss) per common share:					
From continuing operations	\$ 0.07	\$ 0.15	\$ 0.11	\$ 0.15	\$ 0.48
From discontinued operations	(0.02)	(0.03)	(0.02)	(0.15)	(0.22)
Basic earnings per common share	\$ 0.05	\$ 0.12	\$ 0.09	\$ 0.00	\$ 0.26
Diluted earnings (loss) per common share:					
From continuing operations	\$ 0.07	\$ 0.15	\$ 0.11	\$ 0.14	\$ 0.46
From discontinued operations	(0.02)	(0.03)	(0.02)	(0.14)	(0.21)
Diluted earnings per common share	\$ 0.05	\$ 0.12	\$ 0.09	\$ 0.00	\$ 0.25

(1) The first, second and third quarters were restated to reflect the classification of the Monitor Group as a discontinued operation. (2) The second half results reflect the June 30, 1999 acquisition of CXT, Incorporated which accounted for the majority of the reported sales increase.

REPORT OF INDEPENDENT AUDITORS AND RESPONSIBILITY FOR FINANCIAL STATEMENTS

To the Board of Directors and Stockholders of L. B. Foster Company:

We have audited the accompanying consolidated balance sheets of L. B. Foster Company and subsidiaries at December 31, 2000 and 1999, and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 2000. Our audits also included the financial statement schedule listed in the index at Item 14 (a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of L. B. Foster Company and subsidiaries at December 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/Ernst & Young LLP

Pittsburgh, Pennsylvania
January 22, 2001

L. B. FOSTER COMPANY AND SUBSIDIARIES

To the Stockholders of L. B. Foster Company:

The management of L. B. Foster Company is responsible for the integrity of all information in the accompanying consolidated financial statements and other sections of the annual report. Management believes the financial statements have been prepared in conformity with generally accepted accounting principles that reflect, in all material respects, the substance of events and transactions, and that the other information in the annual report is consistent with those statements. In preparing the financial statements, management makes informed judgments and estimates of the expected effects of events and transactions being accounted for currently.

The Company maintains a system of internal accounting control designed to provide reasonable assurance that assets are safeguarded and that transactions are executed in accordance with management's authorization and are properly recorded to permit the preparation of financial statements in accordance with generally accepted accounting principles. Underlying the concept of reasonable assurance is the evaluation of the costs and benefits derived from control. This evaluation requires estimates and judgments by the Company. The Company believes that its internal accounting controls provide an appropriate balance between costs and benefits.

The Board of Directors pursues its oversight role with respect to the financial statements through the Finance and Audit Committee which is composed of outside directors. The Finance and Audit Committee meets periodically with management, the internal auditing department and our independent auditors to discuss the adequacy of the internal accounting control, the quality of financial reporting and the nature, extent and results of the audit effort. Both the internal auditing department and the independent auditors have free access to the Finance and Audit Committee.

/s/Lee B. Foster
Lee B. Foster II
Chairman of the Board
and Chief Executive Officer

/s/ Roger F. Nejes
Roger F. Nejes
Senior Vice President
Finance and Administration
and Chief Financial Officer

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning the directors is set forth under "Election of Directors" in the Company's Proxy Statement for the 2001 annual meeting of stockholders ("2001 Proxy Statement"). Such information is incorporated herein by reference. Information concerning the executive officers who are not directors of the Company is set forth below. With respect to the period prior to August 18, 1977, references to the Company are to the Company's predecessor, Foster Industries, Inc.

Name ----	Age ---	Position -----
Alec C. Bloem	50	Senior Vice President - Concrete Products
William S. Cook, Jr.	59	Vice President - Strategic Planning & Acquisitions
Samuel K. Fisher	48	Senior Vice President - Rail Product Management
Steven L. Hart	54	Vice President - Operations
Stan L. Hasselbusch	53	President and Chief Operating Officer
Monica L. Iurlano	43	Vice President - Human Resources
Gregory W. Lippard	32	Vice President - Rail Products Sales
David L. Minor	57	Vice President and Treasurer
Roger F. Nejes	58	Senior Vice President - Finance and Administration and Chief Financial Officer
Linda K. Patterson	51	Controller
Gary E. Ryker	51	Executive Vice President - Rail Products
David L. Voltz	48	Vice President, General Counsel and Secretary
Donald F. Vukmanic	49	Vice President - Piling Products
David J. A. Walsh	48	Vice President - Fabricated Products

Mr. Bloem was elected Senior Vice President - Concrete Products in March 2000, having previously served as Vice President - Geotechnical and Precast Division from October 1999, and President - Geotechnical Division from August 1998. Prior to joining the Company in August 1998, Mr. Bloem served as Vice President- VSL Corporation.

Mr. Cook was elected Vice President - Strategic Planning & Acquisitions in October 1993. Prior to joining the Company in March 1993, Mr. Cook was President of Cook Corporate Development, a business and financial advisory firm.

Mr. Fisher was elected Senior Vice President - Rail Product Management in June 2000, having previously served as Vice President - Rail Procurement since October 1997. Prior to October 1997, he served in various other capacities with the Company since his employment in 1977.

Mr. Hart was elected Vice President - Operations in October, 1998 having previously served as Vice President from December 1997 to October 1998 and in a variety of capacities prior to December 1997. Mr. Hart joined the Company in 1977.

Mr. Hasselbusch was elected President and Chief Operating Officer in March, 2000 having previously served as Executive Vice President and Chief Operating Officer from January 1999, Vice President - Construction and Tubular Products from December, 1996 to December 1998, Senior Vice President - Construction Products from September 1995 to December 1996, and as Senior Vice President - Sales from October 1993 to September 1995. Mr. Hasselbusch joined the Company in 1972.

Ms. Iurlano was elected Vice President - Human Resources in October 2000, having previously served as Manager of Labor and Benefit Planning since November 1999. Prior to 1999, Ms. Iurlano served in various positions at Highmark Blue Cross/Blue Shield.

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

Mr. Minor was elected Treasurer in February 1988 and was elected to the additional office of Vice President in February 1997. Mr. Minor joined the Company in 1983.

Mr. Nejes was elected Senior Vice President - Finance and Administration and Chief Financial Officer in October 1993, previously having served as Vice President - Finance and Chief Financial Officer from February 1988.

Ms. Patterson was elected Controller in February 1999, having previously served as Assistant Controller since May 1997 and Manager of Accounting since March 1988. Prior to March 1988, she served in various other capacities with the Company since her employment in 1977.

Mr. Ryker was elected Executive Vice President - Rail Products in March 2000. Prior to joining the Company in March 2000, Mr. Ryker served from February 1999 as President of Motor Coils Manufacturing, a manufacturer of equipment for locomotives, as President and Chief Executive Officer of Union Switch & Signal Inc., a signaling company, from September 1997 to August 1998, and as Executive Vice President of Harmon Industries, a signaling company, from April 1992 until September 1997.

Mr. Voltz was elected Vice President, General Counsel and Secretary in December 1987. Mr. Voltz joined the Company in 1981.

Mr. Vukmanic was elected Vice President - Piling Products in August 2000. Prior to August 2000, Mr. Vukmanic served as National Sales Manager - Piling from February 1999, Vice President and Controller from February 1997, and Controller from February 1988. Mr. Vukmanic joined the Company in 1977.

Mr. Walsh was elected Vice President - Fabricated Products in February 2001. Prior to joining the Company in February 2001, Mr. Walsh served as General Manager of IKG-Greulich, a business unit of Harsco Corp., from February 1998, and as Vice President of Harris Specialty Chemicals Inc. from January 1995.

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

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under "Executive Compensation" in the 2001 Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information set forth under "Ownership of Securities by Management" and "Principal Stockholders" in the 2001 Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information set forth under "Certain Transactions" in the 2001 Proxy Statement is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

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

1. Financial Statements

The following consolidated financial statements, accompanying notes and Report of Independent Auditors in the Company's Annual Report to Stockholders for 2000 have been included in Item 8 of this Report:

Consolidated Balance Sheets at December 31, 2000 and 1999.

Consolidated Statements of Income For the Three Years Ended December 31, 2000, 1999 and 1998.

Consolidated Statements of Cash Flows For the Three Years Ended December 31, 2000, 1999 and 1998.

Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 2000, 1999 and 1998.

Notes to Consolidated Financial Statements.

Report of Independent Auditors.

2. Financial Statement Schedule

Schedules for the Three Years Ended December 31, 2000, 1999 and 1998:

II - Valuation and Qualifying Accounts.

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

3. Exhibits

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

- 3.1 Restated Certificate of Incorporation as amended to date, filed as Appendix B to the Company's April 17, 1998 Proxy Statement.

- 3.2 Bylaws of the Registrant, as amended to date, filed as Exhibit 3B to Form 8-K on May 21, 1997.
- 4.0 Rights Agreement, dated as of May 15, 1997, between L.B. Foster Company and American Stock Transfer & Trust Company, including the form of Rights Certificate and the Summary of Rights attached thereto, filed as Exhibit 4A to Form 8-A dated May 23, 1997.
- 4.0.1 Amended Rights Agreement dated as of May 14, 1998 between L. B. Foster Company and American Stock Transfer & Trust Company, filed as Exhibit 4.0.1 to Form 10-Q for the quarter ended June 30, 1998.
- 4.1 Third Amended and Restated Loan Agreement by and among the Registrant and Mellon Bank, N.A., PNC Bank, National Association and First Union National Bank, dated as of June 30, 1999 and filed as Exhibit 4.1 to Form 10-Q for the quarter ended June 30, 1999.
- 10.12 Lease between CXT Incorporated and Pentzer Development Corporation, dated April 1, 1993, filed as Exhibit 10.12 to Form 10-K for the year ended December 31, 1999.
- 10.12.1 Amendment dated March 12, 1996 to lease between CXT Incorporated and Pentzer Corporation, filed as Exhibit 10.12.1 to Form 10-K for the year ended December 31, 1999.
- 10.13 Lease between CXT Incorporated and Crown West Realty, L.L.C., dated December 20, 1996, filed as Exhibit 10.13 to Form 10-K for the year ended December 31, 1999.
- 10.14 Lease between CXT Incorporated and Pentzer Development Corporation, dated November 1, 1991 and filed as Exhibit 10.14 to Form 10-K for the year ended December 31, 1999.
- 10.15 Lease between CXT Incorporated and Union Pacific Railroad Company, dated February 13, 1998, and filed as Exhibit 10.15 to Form 10-K for the year ended December 31, 1999.
- 10.16 Lease between Registrant and Greentree Building Associates for Headquarters office, dated as of June 9, 1986, as amended to date, filed as Exhibit 10.16 to Form 10-K for the year ended December 31, 1988.
- 10.16.1 Amendment dated June 19, 1990 to lease between Registrant and Greentree Building Associates, filed as Exhibit 10.16.1 to Form 10-Q for the quarter ended June 30, 1990.
- 10.16.2 Amendment dated May 29, 1997 to lease between Registrant and Greentree Building Associates, filed as Exhibit 10.16.2 to Form 10-Q for the quarter ended June 30, 1997.
- * 10.17 Lease between Registrant and Hillsboro Loan Investors, L. P. for property located in Hill County, TX, dated February 14, 2001.
- 10.19 Lease Between the Registrant and American Cast Iron Pipe Company for Pipe-Coating Facility in Birmingham, Alabama dated December 11, 1991, filed as Exhibit 10.19 to Form 10-K for the year ended December 31, 1991.
- 10.19.1 Amendment to Lease between the Registrant and American Cast Iron Pipe Company for Pipe Coating Facility in Birmingham, Alabama dated April 15, 1997, filed as Exhibit 10.19.1 to Form 10-Q for the quarter ended March 31, 1997.
- * 10.19.2 Amendment to Lease between the Registrant and American Cast Iron

Pipe Company for pipe coating facility in Birmingham, AL , dated November 15, 2000.

- 10.20 Asset Purchase Agreement, dated June 5, 1998 by and among the Registrant and Northwest Pipe Company, filed as Exhibit 10.0 to Form 8-K on June 18, 1998.
- 10.21 Stock Purchase Agreement dated June 3, 1999, by and among the Registrant and the shareholders of CXT Incorporated, filed as Exhibit 10.0 to Form 8-K on July 14, 1999.
- 10.33.2 Amended and Restated 1985 Long Term Incentive Plan, as amended and restated February 26, 1997, filed as Exhibit 10.33.2 to Form 10-Q for the quarter ended June 30, 1997. **
- * 10.34 Amended and Restated 1998 Long-Term Incentive Plan for Officers and Directors, as amended and restated February 2, 2001. **
- 10.45 Medical Reimbursement Plan, filed as Exhibit 10.45 to Form 10-K for the year ended December 31, 1992. **
- * 10.46 Leased Vehicle Plan, as amended to date. **
- * 10.50 L. B. Foster Company 2001 Incentive Compensation Plan. **
- 10.51 Supplemental Executive Retirement Plan, filed as Exhibit 10.51 to Form 10-K for the year ended December 31, 1994. **
- 19 Exhibits marked with an asterisk are filed herewith.
- * 23.7 Consent of Independent Auditors.
- ** Identifies management contract or compensatory plan or arrangement required to be filed as an Exhibit.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during 2000.

SIGNATURES

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

March 30, 2001

L. B. FOSTER COMPANY

By /s/ Lee B. Foster

(Lee B. Foster II, Chief
Executive Officer and
Chairman of the Board)

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

Name	Position	Date
By: /s/ Lee B. Foster ----- (Lee B. Foster II)	Chief Executive Officer, Chairman of the Board and Director	March 30, 2001
By: /s/Henry J. Massman, IV ----- (Henry J. Massman, IV)	Director	March 30, 2001
By: /s/ Roger F. Nejes ----- (Roger F. Nejes)	Senior Vice President - Finance & Administration and Chief Financial Officer	March 30, 2001
By: /s/Linda K. Patterson ----- (Linda K. Patterson)	Controller	March 30, 2001
By: /s/John W. Puth ----- (John W. Puth)	Director	March 30, 2001
By: /s/William H. Rackoff ----- (William H. Rackoff)	Director	March 30, 2001
By: /s/ Richard L. Shaw ----- (Richard L. Shaw)	Director	March 30, 2001

L. B. FOSTER COMPANY AND SUBSIDIARIES
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999, AND 1998
(In Thousands)

	Balance at Beginning of Year	Additions		Deductions	Balance at End of Year
		Charged to Costs and Expenses	Other		
2000					

Deducted from assets to which they apply:					
Allowance for doubtful accounts	\$ 1,555	\$ 108	\$	\$ 99 (1)	\$ 1,564
	=====	=====	=====	=====	=====
Provision for decline in market value of inventories	\$ 600	\$	\$	\$	\$ 600
	=====	=====	=====	=====	=====
Not deducted from assets:					
Provision for special termination benefits	\$ 5	\$ 524	\$	\$ 138 (2)	\$ 391
	=====	=====	=====	=====	=====
Provision for environmental compliance & remediation	\$ 214	\$ 49	\$	\$ 50 (2)	\$ 213
	=====	=====	=====	=====	=====
1999					

Deducted from assets to which they apply:					
Allowance for doubtful accounts	\$ 1,438	\$ 180	\$	\$ 63 (1)	\$ 1,555
	=====	=====	=====	=====	=====
Provision for decline in market value of inventories	\$ 600	\$	\$	\$	\$ 600
	=====	=====	=====	=====	=====
Not deducted from assets:					
Provision for special termination benefits	\$ 5	\$	\$	\$	\$ 5
	=====	=====	=====	=====	=====
Provision for environmental compliance & remediation	\$ 329	\$ 12	\$	\$ 127 (2)	\$ 214
	=====	=====	=====	=====	=====
1998					

Deducted from assets to which they apply:					
Allowance for doubtful accounts	\$ 1,468	\$ 10	\$	\$ 40 (1)	\$ 1,438
	=====	=====	=====	=====	=====
Provision for decline in market value of inventories	\$ 600	\$	\$	\$	\$ 600
	=====	=====	=====	=====	=====
Not deducted from assets:					
Provision for special termination benefits	\$ 12	\$	\$	\$ 7 (2)	\$ 5
	=====	=====	=====	=====	=====
Provision for environmental compliance & remediation	\$ 284	\$ 184	\$	\$ 139 (2)	\$ 329
	=====	=====	=====	=====	=====

- (1) Notes and accounts receivable written off as uncollectible.
(2) Payments made on amounts accrued and reversals of accruals.

Texas Association of Realtors
Improved Property Commercial Lease

Use of this form by persons who are not members of the Texas Association of Realtors is not authorized.

1. PARTIES: The parties to this lease are the owner of the Property Hillsboro Loan Investors, L.P. (Landlord) and the tenant L.B. Foster Company, a Pennsylvania Corporation (Tenant).

2. LEASED PREMISES: Landlord leases to Tenant the following described real property, known as the "leased premises," along with all its improvements: See Rider to Section 2.

3. TERM:

A. Term: The term of this lease is fourteen (14) months, commencing on February 1, 2001 (Commencement Date) and ending on March 31, 2002 (Expiration Date).

B. Delay of Occupancy: Deleted

4. RENT AND EXPENSES:

A. Base Monthly Rent: See Rider to Section 4(A).

B. Prorated Rent: If the Commencement Date is on a day other than the first day of a month, Tenant will pay Landlord as prorated rent, and amount equal to the base monthly rent multiplied by the following fraction: the number of days from the Commencement Date to the first day of the following month divided by the number of days in the month in which this lease commences. The prorated rent is due on or before the Commencement Date.

C. -

D. Place of Payment: Tenant will remit all amounts due Landlord under this lease to Landlord at 7001 Preston Road, Suite 500, Dallas, Texas 75205 Attention: James S. Ziegler or to such other person or at such other place as Landlord may designate in writing.

E. Method of Payment: Tenant must pay all rent timely without demand, deduction, or offset, except as permitted by law or this lease. Time is of the essence for the payment of rent. If Tenant fails to timely pay any amounts due under this lease or if any check of Tenant is returned to Landlord by the institution on which it was drawn, Landlord may require Tenant to pay, in addition to any other available remedy, all amounts due under this lease by certified funds providing written notice to Tenant.

F. Late Charges: If Landlord does not actually receive a rent payment at the designated place of payment within 5 days after the date the rent is due, Tenant will pay Landlord a late charge equal to 5% of the base monthly rent. The mailbox is not the agent for receipt for Landlord. The late charge is a cost associated with the collection of rent and Landlord's acceptance of a late charge does not waive Landlord's rights to exercise remedies under Paragraph 20.

G. -

5. SECURITY DEPOSIT: Upon execution of this lease, Tenant will pay a security deposit to Landlord in the amount of \$50,000.00. Landlord may apply the security deposit to any amounts owed by Tenant under this lease. If Landlord applies any part of the security deposit any time this lease is in effect to amounts owed by Tenant, Tenant must, within 10 days after receipt of notice from Landlord, restore the security deposit to the amount stated. Within a reasonable time after this lease ends, Landlord will refund the security deposit to Tenant less any amounts applied toward amounts owed by Tenant. See Rider to Section 5.

6. TAXES: See Rider to Section 6.

7. UTILITIES: Tenant will pay all charges for the use of all utility services to the leased premises and any connection charges. NOTICE: Tenant should determine if any and all necessary utilities (e.g., water, gas, electricity, telephone, sewer, etc.) are available to the leased premises, are adequate for Tenant's intended use, and the cost to provide necessary utilities.

8. TENANT'S INSURANCE:

A. During all times this lease is in effect, Tenant must maintain in full force and effect:

(1) -

(2) -

(3) See Rider to Section 8(A) (3).

See Rider to Section 8(D).

See Rider to Section 8(E).

9. USE AND HOURS: Tenant may use the leased premises for the following purpose

and no other. Any lawful purpose.

10. LEGAL COMPLIANCE:

A. Tenant may not use or permit any part of the leased premises to be used for:

(1) any activity which is a nuisance or is offensive, noisy, or dangerous; (2) any activity that interferes with Landlord's management of the Property; (3) any activity that violates any applicable law, regulation, zoning ordinance, restrictive covenant, governmental order, owner's association rules, tenant's association rules, Landlord's rules or regulations, or this lease; (4) any hazardous activity that would require any insurance premium on the Property or leased premises to increase or that would void any such insurance; (5) any activity that violates any applicable federal, state, or local law, including but not limited to those laws related to air quality, water quality, hazardous materials, wastewater, waste disposal, air emissions, or other environmental matters.

B. "Hazardous material" means any pollutant, toxic substance, hazardous waste, hazardous material, hazardous substance, solvent, or oil as defined by a federal, state, or local environmental law, regulation or ordinance, or rule existing as of the date of this lease or later enacted.

C. Landlord does not represent or warrant that the leased premises or Property conform to applicable restrictions, zoning ordinances, setback lines, parking requirements, impervious ground cover ratio requirements, and other matters that may relate to Tenant's intended use. Tenant must satisfy itself that the leased premises may be used as Tenant intends by independently investigating all matters related to the use of the leased premises or Property. Tenant agrees that it is not relying on any warranty or representation made by Landlord, Landlord's agent, or any broker concerning the use of the leased premises or Property.

11. SIGNS: See Rider to Section 11(A).

12. ACCESS BY LANDLORD:

A. During Tenant's normal business hours Landlord may enter the leased premises for any reasonable purpose, including but not limited to purposes for repairs, maintenance, alterations, and showing the leased premises to prospective tenants or purchasers. Landlord may access the leased premises after Tenant's normal business hours with Tenant's permission or to complete emergency repairs. Landlord will not unreasonably interfere with Tenant's business operations when accessing the leased premises.

13. MOVE-IN CONDITION: Tenant has inspected the leased premises and accepts it in its present as-is condition. Landlord and any agent have made no express or implied warranties as to the condition or permitted use of the leased premises or Property.

14. MOVE-OUT CONDITION AND FORFEITURE OF TENANT'S PERSONAL PROPERTY: See Rider to Section 14 (A) See Rider to Section 14 (D)

15. MAINTENANCE AND REPAIRS:

A. Cleaning: Tenant must keep the leased premises clean and sanitary and promptly dispose of all garbage in appropriate receptacles. Tenant will provide, at its expense, reasonable janitorial services to the leased premises. B. Repairs of Conditions Caused by a Party: Each party must promptly repair a condition caused, either intentionally or negligently, by that party or party's guests, patrons, invitees, contractor or permitted subtenants.

C. Repair and Maintenance Responsibility: See Rider to Section 15 (C).

D. Repair Persons: Repairs must be completed by trained, qualified, and insured repair persons.

E. Deleted

F. Deleted

G. Deleted

H. Failure to Repair: If Tenant fails to repair or maintain an item for which Tenant is responsible within 10 days after Landlord provides Tenant written notice of the needed repair or maintenance, Landlord may: (1) Repair or maintain the item, without any liability for any damage or loss to Tenant, and Tenant must immediately reimburse Landlord for the cost to repair or maintain; or (2) exercise Landlord's remedies under Paragraph 20.

16. ALTERATIONS:

A. See Rider to 16(A).

B. Tenant may alter any locks or any security devices on the Property or the leased premises without Landlord's consent. Tenant must immediately deliver the new keys and access devices to the Landlord.

C. If a government order requires alteration or modification to the leased premises, the party obligated to maintain or repair the item to be modified or altered as designated in Paragraph 15 will, at its expense, modify or alter the

item in compliance with the order.

D. Any alterations, improvements, fixtures or additions to the Property or leased premises installed during the term of this lease will become Landlord's property and must be surrendered to Landlord at the time this lease ends.

17. LIENS: Tenant may not do anything that will cause the title of the Property or leased premises to be encumbered in any way. If Tenant causes a lien to be filed against the Property or leased premises, Tenant will within 20 days after the Landlord demands Tenant to take action to remove the lien, pay the lien or take whatever action is necessary to cause the lien to be released of record. Tenant will provide Landlord a copy of any release Tenant obtains pursuant to this paragraph. See Rider to Section 17.

18. LIABILITY: To the extent permitted by law, Landlord is NOT responsible to Tenant or Tenant's employees, patrons, guest, or invitees for any damages, injuries, or losses to person or property caused by:

A. an act, omission, or neglect of : Tenant, Tenant's guest; Tenant's employees; Tenant's patrons; Tenant's invitees; or any other tenant on the property;

B. Fire, flood, water leaks, ice, snow, hail, winds, explosion, smoke, riot, strike, interruption of utilities, theft, burglary, robbery, assault, vandalism, other persons, environmental contaminants, or other occurrences or casualty losses.

19. INDEMNITY: Tenant will indemnify and hold Landlord harmless from any property damage, personal injury, suits, actions, liabilities, damages, cost of repairs or services to the leased premises or Property, or any other loss caused negligently or otherwise, by Tenant or Tenant's employees, patrons, guests, or invitees.

20. DEFAULT:

A. If Landlord fails to comply with this lease within 30 days after Tenant notifies Landlord of Landlord's failure to comply, Landlord will be in default and Tenant may seek any remedy provided by law. If, however, Landlord's non-compliance reasonably requires more than 30 days to cure, Landlord will not be in default if the cure is commenced within the 30 day period and is diligently pursued.

B. If Landlord does not actually receive at the place designated for payment any rent due under this lease See Rider to Section 20(B).

C. If Tenant is in default, Landlord may: (i) except as provided in Rider to Section 20(C) to the contract terminate Tenant's right to occupy the leased premises by providing Tenant with at least 3 days written notice; and (ii) accelerate all rents which are payable during the remainder of this lease or any renewal period without notice or demand. Landlord will attempt to mitigate any damage or loss caused by Tenant's breach. If Tenant is in default, Tenant will be liable for:

(1) any lost rent;

(2) Landlord's cost of reletting the leased premises, including brokerage fees, advertising fees, and other fees necessary to relet the leased premises; (3) repairs to the leased premises for use beyond normal wear and tear; (4) all Landlord's costs associated with eviction of Tenant, such as attorney's fees, court costs, and prejudgment interest; (5) all Landlord's costs associated with collection of rent such as collection fees, late charges and return check charges; (6) cost of removing any equipment and trade-fixtures left on the leased premises by Tenant; (7) cost of removing any trash, debris, personal property, hazardous materials, or environmental contaminants left by Tenant or Tenant's employees, patrons, guests, or invitees in the leased premises or Property; and (8) any other recovery to which Landlord may be entitled by law. See rider to Section 20(C).

21. ABANDONMENT, INTERRUPTION OF UTILITIES, REMOVAL OF TENANT'S PROPERTY, AND LOCKOUT: Chapter 93 of the Texas Property Code governs the rights and obligations of the parties with regard to: (a) abandonment of the leased premises; (b) interruption of utilities; (c) removal of Tenant's personal property; and (d) lockout of Tenant.

22. HOLDOVER: Tenant fails to vacate the leased premises at the time this lease ends, Tenant will become a tenant-at-will and must vacate the leased premises immediately upon receipt of demand from Landlord. No holding over by Tenant, with or without the consent of Landlord, will extend this lease. Tenant will indemnify Landlord and any prospective tenants for any and all damages caused by the holdover. Rent for any holdover period will be 2 times the base monthly rent plus any additional rent calculated on a daily basis and will be immediately due and payable daily without notice or demand.

23. LANDLORD'S LIEN AND SECURITY INTEREST: Deleted.

24. ASSIGNMENT AND SUBLETTING: Tenant may assign this lease or sublet any part of the leased premises without Landlord's written consent. If Tenant assigns this lease or sublets any part of the leased premises, Tenant will remain liable for all of Tenant's obligations under this lease regardless if the assignment or sublease is made with or without the consent of Landlord.

25. RELOCATION: Deleted.

26. SUBORDINATION: See Rider to Section 26.

27. ESTOPPEL CERTIFICATES: Deleted.

28. CASUALTY LOSS: See Rider to Section 28.

29. CONDEMNATION: See Rider to Section 29.

30. ATTORNEY'S FEES: Any person who is a prevailing party in any legal proceeding brought under or related to the transaction described in this lease is entitled to recover prejudgment interest, reasonable attorney's fees, and all other costs of litigation from the nonprevailing party.

31. REPRESENTATIONS: Tenant's statements in this lease and any application for rental are material representations relied upon by Landlord. Each party signing this lease represents that he or she is of legal age to enter into a binding contract and is authorized to sign the lease. If Tenant makes any misrepresentation in this lease or in any application for rental, Tenant is in default.

32. Deleted.

33. ADDENDA: Incorporated into this lease are the addenda, exhibits and other information marked in the Addenda and Exhibit section of the Table of Contents. If Landlord's Rules and Regulations are made part of this lease, Tenant agrees to comply with the Rules and Regulations as Landlord may, at its discretion, amend from time to time.

34. AGREEMENT OF PARTIES:

A. Entire Agreement: This lease contains the entire agreement between Landlord and Tenant and may not be changed except by written agreement.

B. Binding Effect: This lease is binding upon and inures to the benefit of the parties and their respective heirs, executors, administrators, successors, and permitted assigns.

C. Joint and Several: All Tenants are jointly and severally liable for all provisions of this lease. Any act of notice to, or refund to, or signature of, any one or more of the Tenants regarding any term of this lease, its renewal, or its termination is binding on all Tenants.

D. Controlling Law: The laws of the State of Texas govern the interpretation, performance, and enforcement of this lease.

E. Severable Clauses: If any clause in this lease is found invalid or unenforceable by a court of law, the remainder of this lease will not be affected and all other provisions of this lease will remain valid and enforceable.

F. Waiver: Landlord's delay, waiver, or non-enforcement of acceleration, contractual or statutory lien, rental due date, or any other right will not be deemed a waiver of any other or subsequent breach by Tenant or any other term in this lease.

G. Quiet Enjoyment: Provided that Tenant is not in default of this lease, Landlord covenants that Tenant will enjoy possession and use of the leased premises free from serious interference.

H. Force Majeure: If Landlord's performance of a term in this lease is delayed by strike, lock-out, shortage of material, governmental restriction, riot, flood, or any cause outside Landlord's control, the time for Landlord's performance will be abated until after the delay.

35. NOTICES: All notices under this lease must be in writing and are effective when hand-delivered, sent by mail, or sent by facsimile transmission to:

Tenant
at the address of the leased premises.

Landlord:
At 7001 Preston Road, Suite 500 ATTN:
James S. Ziegler, Dallas, Texas 75205
Fax (214) 219-2080

with a copy to: Tenant (Attn: Chief
Executive Officer)
415 Holiday Drive
Pittsburgh, PA 15220
Fax: (412) 928-7891

36. SPECIAL PROVISIONS:

1. See Rider to Section 36(A) and Rider to Section 36(B).
2. The Addendum and Exhibits "A", "B" and "C" attached hereto are incorporated Herein for all purposes.

Real estate brokers are not qualified to render legal advice, property inspections, surveys, engineering studies (e.g. Studies of the structures, drainage and soil conditions), environmental assessments, tax advice, financial advice, or inspections to determine compliance with zoning, governmental regulations, or any law (e.g., ADA, Texas Architectural Barriers Statute, etc.). The parties should seek experts to render such services. Selection of such experts is the responsibility of the parties and not the real estate broker. The terms of this lease are negotiable among the parties. This is intended to be a legal agreement binding upon final acceptance. READ IT CAREFULLY. If you do not understand the effect of this Lease, consult your attorney BEFORE signing.

Hillsboro Loan Investors, L.P.

L. B. Foster Company

Landlord By: United Mortgage Services, Inc. Tenant

By /s/James Ziegler President

By:/s/S.L. Hasselbusch 2/14/01

As general partner of Landlord

Date

ADDENDUM TO LEASE
BY AND BETWEEN
HILLSBORO LOAN INVESTORS, L.P. (the "LANDLORD")
AND
L.B. FOSTER COMPANY (the "TENANT")

1. Rider to Section 2. That certain 7.277 acre tract of land located in Hill County, Texas, and more particularly described in Exhibit "A" attached hereto and made part hereof for all purposes ("Tract A") and the building (the "Building") and other improvements located thereon and Seller's interest, if any, in that certain 1.356 acre tract of land located in Hill County, Texas, and more particularly described in Exhibit "B" attached hereto and made a part hereof for all purposes ("Tract B"), together with any and all improvements situated thereon (together, Tract A and Tract B together with the building and all other improvements situated thereon are herein referred to as the "Property" or the "leased premises").
2. Rider to Section 4(A). On or before the first day of each month during the Term of this Lease, Tenant will pay to Landlord Base Monthly Rental as follows:
 - (i) \$7,000.00 per month, commencing on February 1, 2001 through August 31, 2001; and
 - (ii) \$8,000.00 per month, commencing on September 1, 2001 through March 31, 2002.
3. Rider to Section 5. The \$50,000.00 security deposit is the same \$50,000.00 which has been deposited as earnest money pursuant to the terms of that certain Contract for the Purchase and Sale of Real Property attached hereto as Exhibit "C" and made a part hereof for all purposes (the "Purchase and Sale Agreement").
4. Rider to Section 6. Tenant shall pay all real property ad valorem taxes assessed against the Property. At the time of execution of this Lease, Landlord shall furnish Tenant with written notice ("Tax Notice") of the amount of Taxes, together with a copy of the applicable tax bills, for the calendar year 2000. Tenant shall pay to Landlord one-twelfth (1/12th) of the aggregate amount of the Taxes at the time each Base Monthly Rental payment is due during the Term of the Lease. At the time the actual Taxes for the calendar year 2001 are available, Landlord will notify Tenant of the actual amount of the Taxes and either (a) Tenant shall pay to Landlord, upon demand, the deficit amount, if any, between the amount of Taxes paid for the calendar year 2001, during the Term of the Lease based upon the calendar year 2000 Taxes and the actual Taxes due and owing based upon the calendar year 2001 Taxes, or (b) Landlord shall credit (the "Credit") against the Tenant's obligation to pay Taxes for that portion of the calendar year 2002, during the Term of the Lease, the amount of overpayment, if any, between the amount of Taxes paid for the calendar year 2001, during the Term of this Lease based upon the calendar year 2000 Taxes and the actual Taxes due and owing based upon the calendar year 2001 Taxes. Commencing January 1, 2002, Tenant shall pay to Landlord one-twelfth (1/12th) of the aggregate amount of the Taxes at the time each Base Monthly Rent payment is due during the Term of the Lease based upon the actual Taxes for the calendar year 2001 (less the Credit, if any). At the time the actual Taxes for the calendar year 2002 are available, Landlord shall notify Tenant of the actual amount of the Taxes and either (x) Tenant shall pay to Landlord, upon demand, the deficit amount, if any, between the amount of Taxes paid for the calendar year 2002, during the Term of the Lease based upon the calendar year 2001 Taxes and the actual Taxes due and owing based upon the calendar year 2002 Taxes, or (y) Landlord shall pay to Tenant, upon demand, the amount of overpayment, if any, between the amount of Taxes paid for the calendar year 2002, during the term of the Lease based upon the calendar year 2001 Taxes and the actual Taxes due and owing based upon the calendar year 2002 Taxes. The obligations to pay the deficit amounts and/or to refund any overpayments shall survive the termination of the Lease. The term ("Taxes") shall mean and include only all real property and ad valorem taxes, assessments and other governmental charges, general and special, ordinary and extraordinary, of any kind and nature whatsoever, including, without limitation, assessments for public improvements or benefits, which shall during the Term hereof be assessed, levied and imposed upon the Property based upon its value. In addition, Tenant shall pay, or caused to be paid before delinquency all taxes, assessments, license fees and other charges that are levied or assessed against Tenant's personal property, trade fixtures, and leasehold improvements located in, on, or at the Property. Tenant shall only be responsible for Taxes assessed for the period within the term of the Lease and not for any Taxes which are due and owing for any period of time prior to the term of the Lease.
5. Rider to Section 8(A)(3). In addition, Tenant must maintain in full force and effect during the Term of the Lease the following:
 - (a) Contractual liability insurance coverage sufficient to cover

Tenant's indemnity obligations hereunder; (b) Insurance covering the full value of the leasehold improvements in the leased premises and other property of Tenant

and others in the leased premises; and

(c) Workmen's compensation insurance, containing a waiver of subrogation endorsement reasonably acceptable to Landlord, at the applicable statutory limits.

Landlord shall maintain any and all liability and fire and extended coverage insurance policies that are insuring Landlord and/or the Property and are in effect on the date of this Lease. In addition, Landlord shall maintain casualty and property insurance coverage for the replacement value of the Building (approximately 93,500 square feet). Landlord shall furnish Tenant with satisfactory evidence of such insurance policies promptly after the execution of this Lease, together with a statement as to the premium costs thereof, which shall include a breakdown based upon a monthly proration. Tenant shall pay to Landlord at the time each Base Monthly Rental payment is due during the Term of the Lease the monthly proration of premium costs. If, during the Term of the Lease, the insurance expires, Landlord shall either renew or obtain new insurance in the same amounts and the premium costs shall be redetermined, if necessary, to reflect the actual costs of such renewed or new policies, and the monthly proration shall be based thereon. Said insurance shall name the Landlord as the sole insured thereunder.

6. Rider to Section 8(D). All insurance required under Section 8 shall be issued by such good and reputable insurance companies qualified to do and doing business in the State of Texas which shall be reasonably acceptable to the Landlord. All insurance required to be maintained by Tenant hereunder shall not be subject to a deductible in excess of \$250,000.00.
7. Rider to Section 8(E). Tenant waives any and all rights to recover against Landlord for any loss or damage to Tenant arising from any costs covered by any insurance required to be carried by Tenant pursuant to Section 8 or any other property insurance actually carried by Tenant to the extent of the limits of such policy. Tenant will cause its respective insurers to issue appropriate waiver of subrogation rights endorsements to all property insurance policies carried in connection with the Property or the contents of the Property.
8. Rider to Section 11(A). Tenant shall have the right to post or install signs on the Property without the consent of the Landlord. All signs installed by the Tenant must comply with all laws, restrictions, zoning ordinances and any governmental order relating to signs on the Property. Tenant shall not be required to remove any signs at the termination of this Lease in the event that Tenant purchases the Property in accordance with the provisions of the Rider to Section 36 hereof; otherwise, Tenant shall be required, upon move out and at Tenant's expense, to remove, without damage to the Property or the leased premises, any and all signs that are placed on the Property by the Tenant, and, in such event, at Landlord's option, the Landlord may require the Tenant to surrender the signs to the Landlord.
9. Rider to Section 14(A). Notwithstanding anything contained in this Lease to the contrary, Tenant shall not be responsible in this Lease for any Pre-existing Condition (i.e., a condition of the leased premises which existed prior to the Commencement Date of the Lease).
10. Rider to Section 14(D). Tenant shall have the right, upon termination of the Lease, in the event Tenant is not in default under the Lease at such time, to remove any and all equipment, leasehold improvements, fixtures and non-moveable property of any kind or character, located on, attached to and/or made in or upon the Property, provided that Tenant shall repair or, at Landlord's action, shall pay Landlord to repair, any and all damage to the Property, or any part thereof, caused by such removal. Tenant shall not have the right to remove any structural alterations, structural additions or structural improvements to the Building itself at the termination of the Lease, and the same shall be the Landlord's property at the end of the Term and shall remain on the Property without compensation to Tenant, subject to the provisions of the Rider to Section 36 hereafter set forth.
11. Rider to Section 15(C). Tenant shall maintain and repair in good order and operable condition (subject, however, to reasonable wear and tear), the Building and all parts thereof, including but not limited to mechanical, plumbing, electrical, air conditioning and heating systems, structure, roof, foundation, parking areas and landscaping situated on the land owned by the Landlord upon which the Building is situated and used in connection with the Building, at Tenant's sole cost and expense. Tenant is also responsible, at its sole cost and expense, for the repair and maintenance of its personal property located at the leased premises. Notwithstanding the foregoing, Tenant is not responsible for repairing any Pre-existing Conditions of the leased premises.
12. Rider to Section 16 (A). Except as hereinafter provided to the contrary, Tenant shall not make or permit any structural alterations, structural additions or structural improvements of any kind or nature to the Building without the prior written consent of the Landlord, which consent shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, Tenant may modify existing structural support steel and foundations as necessary to accommodate Tenant's bridge cranes. For these purposes the term "structural" shall refer to the roof, foundation, and

structural walls of the Building or the demolition of all or any part of the Building. Tenant shall have the right, however, to remove or add internal, and non-structural walls within the Building without the consent of the Landlord.

13. Rider to Section 17. If the lien is not removed within said twenty (20) day period, then within said time period Tenant shall deliver to Landlord a bond or other security reasonably satisfactory to Landlord in the amount of 110% of the lien. If Tenant fails to timely take any such action, then Landlord may pay the claim without inquiry as to the validity thereof, and any amount so paid, including expenses and interest, shall be paid by Tenant to Landlord upon demand after Landlord has delivered to Tenant an invoice therefor.
14. Rider to Section 20(B). After the word "Lease" in the first sentence of Section 20(B) and for the remainder of that paragraph, the following language is substituted in lieu of the language which has been crossed out: "within ten (10) days after Landlord provides Tenant with written notice that it has not received the rent payment on the date the payment was due under the Lease, Tenant will be in default. If Tenant fails to comply with this Lease for any other reason within ten (10) days after Landlord provides Tenant with written notice of its failure to comply, Tenant will be in default. Notwithstanding anything contained in this Lease to the contrary, Landlord shall not be required to give Tenant more than three (3) such written notices of any default in rent within the Term of the Lease, and once three (3) such written notices have been given, if Landlord does not thereafter actually receive at the place designated for payment any rent due on the lease within ten (10) days after it is due, Tenant will be in default."
15. Rider to Section 20(C). Notwithstanding the foregoing, Landlord shall not terminate Tenant's right to occupy the leased premises for any reason other than non-payment of rent unless it provides Tenant with at least thirty (30) days written notice setting forth therein the nature of the default and Tenant does not cure the default to the reasonable satisfaction of the Landlord within said thirty (30) day period of time; provided, however, that if Tenant's non-compliance reasonably requires more than thirty (30) days to cure, Tenant will not be in default if the cure commences within the thirty (30) day period and is diligently pursued.
16. Rider to Section 26. This Lease shall be subordinate to all matters which constitute "Permitted Exceptions" under the Purchase and Sale Agreement.
17. Rider to Section 28. In the event the Property or any portion thereof shall be destroyed by fire or any other casualty prior to the expiration of the Term of this Lease, Tenant shall immediately notify Landlord thereof. Within ten (10) days following Tenant's notification to Landlord, Landlord and Tenant shall select a contractor (the "Contractor") who shall determine the cost of such repair and restoration and the time period in which the same can reasonably be expected to be completed. If Landlord and Tenant cannot agree upon the Contractor within said period of time, then each contractor selected by each party, if any, and as to which each party has given the other party written notice, within said ten (10) day period if time, shall, within five (5) days following the expiration of said ten (10) day period, select a third contractor, who shall then become the Contractor for the purposes hereunder, and the decision of that Contractor shall be final and binding. If either party fails to so advise the other party of a Contractor within said ten (10) day period of time, then the Contractor shall be the contractor selected by the party who did provide such notice to the other party within said ten (10) day period of time. If the repair and restoration can reasonably be expected to be completed before the expiration of the Term of the Lease, then Landlord shall, to the extent of the insurance proceeds required to be carried by Tenant hereunder, and/or which are carried by Landlord and paid for by Tenant hereunder (collectively, the "Insurance Proceeds") which are available for use by the Landlord, undertake to repair and/or restore the Property to the condition which existed prior to such casualty. Landlord shall diligently and expeditiously proceed to make such repair or restoration in a good and workmanlike manner and to complete the same prior to the expiration of the Term of the Lease, and the Lease shall be extended, if necessary, to enable the Landlord to so complete the repair and restoration. Notwithstanding the foregoing, Tenant shall have the right to undertake and restore the Property, in which event Landlord and Tenant shall assign the Insurance Proceeds to the Tenant, and the Tenant shall repair and restore the Property to the extent of the Insurance Proceeds that are available. In such event, Tenant shall diligently and expeditiously proceed to make such repair or restoration in a good and workmanlike manner and complete the same prior to the expiration of the Term of the Lease and the Lease shall be extended, if necessary, to permit the Tenant to make such repair and/or restoration. In the event, however, it is determined by the Contractor that the Property cannot be repaired or restored in a good and workmanlike manner prior to the expiration of the Term, then, within ten (10) days following the receipt of such determination by the Contractor, Tenant shall have the option, by written notice delivered to Landlord within said ten (10) day period of time, of either: i) terminating this Lease by giving notice thereof to Landlord and this Lease shall thereupon be of no further force or effect and the parties hereto shall not have any further rights, duties, obligations, liabilities hereunder; or (ii) requiring Landlord to sell the Property to Purchaser pursuant to the terms of the Purchase and Sale Agreement and to transfer and assign to Tenant at the closing all of

Landlord's right, title and interest in and to the Insurance Proceeds and/or recoveries payable as a result of any such destruction. In the event of any such fire or other casualty, Landlord shall not compromise or settle any claim therefrom with any insurance company or any other party without the prior written consent of Tenant provided Tenant is not in default of this Lease and has elected to purchase the Property as herein provided.

18. Rider to Section 29. In the event the Property or any portion thereof shall become the subject of any condemnation, eminent domain or other similar proceedings or be taken or condemned by any governmental authority or entity prior to the expiration of the Term of this Lease, Landlord shall immediately notify Tenant thereof, and Tenant shall have the option of either: i) terminating this Lease by giving written notice thereof to Landlord, and this Lease shall thereupon be of no further force or effect and no party hereto shall have any further rights, obligations or liabilities hereunder; or ii) requiring Landlord to convey remaining portion of the Property to Tenant pursuant to the terms and provisions of the Sale and Purchase Agreement and to transfer and assign to Tenant at the closing, all of Landlord's right, title and interest in and to any award and/or compensation made or to be made by reason of such condemnation or other proceeding. In the event Tenant has elected to purchase the Property as provided above, Landlord shall not compromise or settle any claim connected with any such proceeding without the prior written consent of Tenant, and Landlord agrees, so long as Tenant is not in default, Tenant shall have the right to join in and fully participate with Landlord in connection with any such proceeding.

19. Rider to Section 36. Purchase and Sale Agreement.

A. Notwithstanding anything contained in this Lease to the contrary, on the expiration date of the Term of this Lease (or the next business day following such expiration date, as the case may be), Tenant shall be obligated to close the purchase of the Property pursuant to the Purchase and Sale Agreement, on the condition that the Tenant, as purchaser, is required to close thereunder. In the event that Tenant, as purchaser, is not required to close or, for any reason fails or refuses to close, unless the closing thereunder is postponed in accordance with the provisions of the Purchase and Sale Agreement, Tenant shall be a tenant from month-to-month, and the provisions of Section 22 of this Lease shall thereupon become applicable. If the Tenant fails to close the purchase of the Property for any reason which shall not constitute an event of default by Tenant under the Purchase and Sale Agreement and for which the Closing may be postponed, this Lease shall continue, upon the same terms and conditions and at the same rental herein set forth, until the date set for Closing pursuant to the Purchase and Sale Agreement, whereupon Tenant shall be required to close and this Lease shall terminate. In the event Tenant fails or refuses to so close at that time, any holdover by Tenant hereunder shall be subject to the provisions of Section 22 of this Lease. Notwithstanding anything contained in this Lease to the contrary, in the event the Tenant fails to close the purchase of the Property pursuant to the terms and conditions of the Purchase and Sale Agreement due to a default by the Landlord, as seller under the Purchase and Sale Agreement, the base monthly rental for such holdover period shall be at the rate then due and payable by the Tenant as the base monthly rent under the Lease and not two (2) times the base monthly rent as provided in Section 22 of this Lease. Notwithstanding anything contained in this Lease to the contrary, the rights and remedies granted to Landlord and Tenant under this Lease shall be in addition to, and not in lieu of, the applicable rights and remedies granted to Landlord, as seller, and Tenant, as purchaser, under the Purchase and Sale Agreement. The parties hereto agree that in the event Tenant shall default under the terms and provisions of this Lease, and the Landlord elects to terminate this Lease and/or in the event that Tenant, as purchaser, should breach any of the terms and provisions of the Purchase and Sale Agreement and the Landlord, as seller, shall elect to terminate the Purchase and Sale Agreement, then, upon the happening of either or both events, Landlord shall have the right to file of record an affidavit (the "Affidavit") evidencing the termination of the Lease and/or the Purchase and Sale Agreement, as the case may be; provided, however, Tenant shall have the right to contest the filing of the Affidavit by bringing a suit in the appropriate court in Dallas County, Texas, to have the filing of the Affidavit removed, which lawsuit must be filed within sixty (60) days following Tenant's receipt of written notice from the Landlord, together with a copy of the filed Affidavit, stating that the Affidavit has been filed of record and that a lawsuit must be filed within sixty (60) days following Tenant's receipt of this notice in order to contest the same. If the Tenant does not timely file a lawsuit in the appropriate court in Dallas County, Texas, contesting the filing of the Affidavit, it shall be presumed that the Affidavit was correct. This provision shall survive the termination of the Lease and/or the Purchase and Sale Agreement.

B. Landlord and Tenant each agree that it shall perform the following obligations hereinafter imposed upon it, as soon as practicable within the Term of this Lease, which shall be completed on or before the date that Tenant is required to close the purchase of the Property, as purchaser, under the Purchase and Sale Agreement:

(i) Tenant will be responsible for filling in the underground storage tank located in the center of the Building and will also be responsible for performing all remediation recommended by the environmental assessment performed for Tenant by T-2 Environmental except the remediation that will be necessary as

a result of leakage of the underground storage tank located in the front (southeast corner) of the building (the "Front Tank").

(ii) On or before July 1, 2001, Landlord will remove the Front Tank and perform any remediation resulting therefrom or required in connection therewith and restore the disturbed areas to their pre-existing condition all in accordance with this Agreement and applicable laws of the State of Texas. The Landlord shall provide Tenant advance notice two (2) business days prior to taking final verification samples and shall obtain and deliver to Tenant an original final report addressed to Landlord and Tenant from the environmental contractor who removes the Front Tank stating that the tank has been removed and cleaned up in accordance with Texas law; this report shall have been signed by a professional engineer registered in the State of Texas and shall include the engineer's unqualified professional opinion that the Tank was removed and remedial action was completed in accordance with the provisions of this Agreement and applicable laws. In addition, Landlord will use all due diligence and commercially reasonable efforts to obtain from the TNRCC an "LPST letter" with respect to the Front Tank.

(iii) Each of the parties agrees to indemnify and hold harmless the other from and against any and all costs, damages, liabilities, expenses and legal fees arising out of or attributable to a breach by the indemnifying party of its obligations under this Section 36B. The obligations hereunder shall survive the purchase of the leased premises by Tenant or its assignee.

C. Simultaneously with the execution of this Lease, Landlord is executing and delivering to Tenant an assignment of all of Landlord's right, title and interest in \$175,783.00 in insurance proceeds owed to Landlord by Royal & Sunalliance of Stockton, California. In addition, Landlord will obtain from Royal & Sunalliance of Stockton, California a consent to such assignment together with a description of the requirements that must be satisfied before such insurance proceeds become payable.

MEMORANDUM OF LEASE

This Memorandum of Lease (the "Memorandum") is made as of _____, 2001, by and between Hillsboro Loan Investors, L.P. (the "Landlord") and L.B. Foster Company (the "Tenant") to evidence of record the execution of that certain unrecorded Lease by and between Landlord and Tenant, dated _____, 2001 (the "Lease").

- 1. The real property which is the subject of this Memorandum and of the Lease is described on Exhibit "A" attached hereto and made a part hereof for all purposes (the "Property").
- 2. The term of the Lease is fourteen (14) months, commencing on February 1, 2001, and expiring on March 31, 2001. The Tenant has no option to extend the Lease. The Tenant does have an obligation to purchase the Property according to the terms and provisions of a Purchase and Sale Agreement which is attached to the Lease; however, upon the happening of an event of default under the Lease and/or the Purchase and Sale Agreement, Landlord may file of record an affidavit (the "Affidavit") that all of Tenant's rights pursuant to the Lease and/or the Purchase and Sale Agreement have been terminated. Tenant shall have the right to contest the filing of the Affidavit by bringing a suit in the appropriate court in Dallas County, Texas, to have such filing removed. Unless said lawsuit is filed within sixty (60) days following Tenant's receipt of notice that such Affidavit has been filed, together with a copy of the Affidavit, it shall be presumed that the Affidavit was correct.
- 3. The Lease provides that the Tenant shall not do anything that will cause the title of the Property to be encumbered in any way. Consequently, any person or entity providing labor and/or materials on or with respect to the Property or any improvements thereon, for or on behalf of the Tenant, whether directly or indirectly, whether through contract, subcontract, or otherwise, is advised that the Tenant has no right to encumber the fee of the Property.
- 4. The terms and conditions of the Lease are incorporated herein by reference. This Memorandum is prepared for the purpose of recordation and in no manner modifies the terms and conditions of the Lease. If there is any consistency between the terms and conditions of this Memorandum and the terms and conditions of the Lease, the terms and conditions of the Lease shall control.

IN WITNESS WHEREOF, the parties executed this Memorandum as of the date and year hereinbefore set forth.

HILLSBORO LOAN INVESTORS, L.P.,
 By: United Mortgage Services, Inc., general partner
 By:
 Name:
 Title:

LANDLORD

 L.B. FOSTER COMPANY
 By:
 Name:
 Title:

STATE OF TEXAS)
)
 COUNTY OF DALLAS)

This instrument was acknowledged before me on _____, 2001, by _____, of United Mortgage Services, Inc., a _____ corporation, on behalf of said corporation, and the corporation acknowledged this instrument as partner on behalf of Hillsboro Loan Investors, L.P., a partnership.

Notary Public, State of Texas
 Notary's Name (printed):
 Notary commission expires:

STATE OF)
)
 COUNTY OF)

This instrument was acknowledged before me on
_____, 2001, by _____,
_____ of L.B. Foster Company, a Pennsylvania corporation,
on behalf of said corporation.

Notary Public, State of

Notary's Name (printed):
Notary commission expires:

RJT/bac

Exhibit A

FIELD NOTES for a lot, tract, or parcel of land containing 7.277 acres lying and situated in the J.E. Ross Survey A-750 in Hillsboro, Hill County, Texas. Said land is that certain 7.285 acre tract described in a deed from Spartan Copper, Incorporated to Hillsboro Loan Investors, L.P. as recorded in Volume 864, Page 134 of the Official Public Records of Hill County, and is more particularly described by metes and bounds as follows:

BEGINNING at a 1/2" iron rod found in the northwest line of U.S. Highway 77 for the south corner of said 7.285 acre tract, said point being the most easterly corner of a tract described in a deed to Franklin Industries, Inc. as recorded in Volume 928, Page 772 of the Official Public Records of Hill County:

THENCE: N 44 deg 53 min 0 sec W 599.95 feet along Franklin's northeast line to a 5/8" iron rod found for corner:

THENCE: N 35 deg 54 min 0 sec E 94.55 feet, and N 50 deg 17 min 15 sec W 82.27 feet and N 31 deg 49 min 30 sec E 259.24 feet along Franklin's line, 5/8" iron rods found at all corners:

THENCE: S 85 deg 52 min 0 sec E 369.45 feet to a 1/2" iron rod set for corner:

THENCE: S 42 deg 37 min 15 sec E 181.00 feet to a railroad spike found for corner:

THENCE: S. 21 deg 51 min 0 sec 118.04 feet to a railroad spike found for corner in the northwest line of said U.S. Highway 77;

THENCE: Around a curve to the left with radius 2024.86 feet an arc distance of 255.26 feet (Chord: S 26 deg 19 min 30 sec W 255.09 feet) to a 1/2" iron rod set for corner;

THENCE: S 29 deg 7 min 10 sec W 190.88 feet to a 1/2" iron rod set for corner;

THENCE: S 17 deg 26 min 10 sec W 115.00 feet to the point of beginning, containing 7.277 acres of land.

EXHIBIT B

FIELD NOTES for a lot, tract, or parcel of land containing 1.356 acres lying and situated in the J.H. Ross Survey A-750 in Hillsboro, Hill County, Texas. Said land is that certain 1.52 acre tract described in a deed from Hillsboro Lake Park Association to Robintech, Inc. as recorded in Volume 507, Page 497 of the Deed Records of Hill County. Said land is more particularly described by mete and bounds as follows:

BEGINNING at railroad spike found for the most easterly corner of a tract described in a deed to Hillsboro Loan Investors, L. P. as recorded in Volume 864, Page 134 of the Official Public Records of Hill County;

THENCE: N 21 deg 51 min 0 sec W 118.04 feet to a railroad spike found for corner;

THENCE: N 42 deg 37 min 15 sec W 181.00 feet to a 1/2" iron rod set for corner;

THENCE: N 85 deg 52 min 0 sec W 369.45 feet to a 5/8" iron rod found for corner;

THENCE: N 30 deg 43 min 0 sec E 99.95 feet to a 1/2" iron rod found for corner;

THENCE: S 80 deg 18 min 55 sec E 299.57 feet and S 68 deg 39 min 37 sec E 327.05 feet along a fence, 5/8" iron rods found for corners;

THENCE: S 31 deg 57 min 50 sec W 219.12 feet to the point of beginning, containing 1.356 acres of land.

AMENDMENT NO. 4
TO SUBLEASE AGREEMENT

THIS AMENDMENT TO SUBLEASE AGREEMENT (as originally dated December 11, 1991, and as subsequently amended the "Sublease") by and between AMERICAN CAST IRON PIPE COMPANY, a Georgia corporation ("Landlord") and L.B. FOSTER COMPANY, a Pennsylvania corporation ("Tenant") is made and entered into between Landlord and Tenant on and as of this the 15 day of November, 2000 ("Amendment").

WITNESSETH:

WHEREAS, Landlord and Tenant desire to further amend the Sublease which has heretofore been amended by Amendment No. 1 amending Exhibit "A" to the Sublease, by Amendment No. 2 providing that the Commencement Date of the Sublease is April 1, 1992 and extending the term of the Sublease; and by Amendment No. 3 providing for the construction of certain improvements on the "demised premises" and the payment of Supplemental Rent in connection therewith;

WHEREAS, Landlord and Tenant desire to further extend the term of the Sublease, to limit the period with respect to which Supplemental Rent is payable and to eliminate the formula for adjusting Additional Rent with respect to the period prior to July 31, 2000.

NOW THEREFORE, in consideration of the premises and the mutual undertakings, covenants, promises and agreements herein contained and for other good and valuable consideration, receipt of which is acknowledged, Landlord and Tenant agree as follows:

A. CERTAIN AGREEMENTS

1. Except as otherwise provided herein, all defined terms in the Sublease are incorporated by reference into this Amendment.
2. As used in the Sublease

a. the term, "Supplemental Commencement Date" is redefined to mean August 1, 1997. The definition herein supersedes the definition contained in Amendment No. 3 to Lease Agreement dated on or about April 15, 1999 ("Amendment No. 3").

b. the term, Supplemental Sublease Year', means the period of twelve (12) consecutive months commencing on August 1, 1997 and on each anniversary of August 1, 1997, with the final Supplemental Sublease Year commencing on August 1, 1999 and ending on July 31, 2000. The definition herein is supersedes the definition contained in Amendment No. 3.

B. FURTHER AGREEMENTS AND AMENDMENTS

1. ARTICLE 1. PREMISES AND TERM. Article 1 (Premises and Term) is hereby amended by changing and amending the second paragraph of Article 1 to read in its entirety as follows:

TO HAVE AND TO HOLD the said demised premises, together with all and singular the improvements thereunto belonging or in any manner appertaining, unto Tenant for a term commencing on the Commencement Date set forth in Article 3 hereof, and continuing thereafter to and including July 31, 2007 subject, however, to earlier termination as provided elsewhere in this sublease.

2. Article 6(b)(ii) is hereby amended by changing and amending the second paragraph of said Article to read in its entirety as follows:

"Commencing with the consecutive, 12 month period ending July 31, 2000 and for each consecutive, 12 month period thereafter during the term of this Sublease, if Tenant and Landlord are unable to agree upon a mutually acceptable percentage of gross revenues to be paid by Tenant as Additional Rent at least ninety (90) days prior to commencement of each succeeding consecutive, 12 month period commencing on each August 1st during the term of this Sublease after July 31, 2000 to which such percentages shall apply, the following shall apply for the following consecutive, 12 month period. If the Additional Rent paid by Tenant to Landlord in the previous Sublease year is less than \$300,000.00 then the percentages set forth in subparagraph (i) above shall increase by one-half of one percent. If Additional Rent paid by Tenant to Landlord in the previous consecutive, 12 month period is \$300,000.00 or greater, then the percentages shall be reduced by one-half of one percent."

3. Article 6(b)(iii) is hereby amended by changing and amending said Article to read in its entirety as follows:

"(iii) During each Supplemental Sublease Year or, in the event of termination of this Sublease prior to the expiration of twelve (12) months from the date of commencement of any such Supplemental Sublease Year, the part of the Supplemental Sublease Year remaining until July 31, 2000, Tenant shall, in addition to the Additional Rent, pay the Landlord additional rent for the demised premises ("Supplemental Rent") equal to three-quarters of one percent (.075%) of "gross revenues" (as defined in the Sublease) earned in the coating of pipe by Tenant (regardless of pipe size) in the demised premises."

4. Article 6(e)(i) is hereby amended by changing and amending said Article to read in its entirety as follows:

"(i) Within thirty (30) days after the end of each calendar quarter during the Sublease term and after the expiration or earlier termination of the Sublease term if such expiration or termination shall occur during a calendar quarter, Tenant shall furnish to Landlord a verified, detailed statement certified as to its accuracy by an officer of Tenant, setting forth the amount of gross revenues of Tenant from coating operations during the preceding quarter or, if applicable, part thereof, showing the amount of Additional Rent and, with respect only to the period prior to August 1, 2000, Supplemental Rent, required to be paid by Tenant for such quarter or, if applicable, shorter period and providing a breakdown of the calculations of the Additional Rent and Supplemental Rent. Simultaneously with the delivery of such statement, Tenant shall pay to landlord all such Additional Rent and Supplemental Rent other than the Additional Rent and Supplemental Rent to be deducted by Landlord from Tenant's invoices. Tenant shall keep a full and accurate set of records adequately showing the amount of gross revenues arising out of operations conducted on the demised premises each month during the Sublease term."

C. Except as amended hereby, all provisions of the Sublease shall remain in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have duly executed and affixed their respective seals to this instrument, being duly authorized in the premises, on the day and year first above written.

LANDLORD:

American Cast Iron Pipe Company,
a Georgia corporation

By: /s/ J. M. O'Brien

Its: V. P. Sales

TENANT:

L.B. Foster Company,
a Pennsylvania corporation

By: /s/Lee B. Foster

Its: Chief Executive Officer

L.B. FOSTER COMPANY
1998 LONG-TERM INCENTIVE PLAN
AS AMENDED AND RESTATED*

ARTICLE I

PURPOSE, EFFECTIVE DATE AND AVAILABLE SHARES

1.1 Purpose. The purpose of this Plan is to provide financial incentives for selected key personnel and directors of L.B. Foster Company (the "Company") and its subsidiaries, thereby promoting the long-term growth and financial success of the Company by (i) attracting and retaining personnel and directors of outstanding ability, (ii) strengthening the Company's capability to develop, maintain and direct a competent management team, (iii) motivating officers to achieve long-range performance goals and objectives, and (iv) providing incentive compensation opportunities competitive with those of other corporations.

1.2 Effective Date and Expiration of Plan. The Plan was initially adopted by the Board of Directors of the Company on October 23, 1998 and was made effective as of that date. An amended and restated Plan was approved by the Board of Directors of the Company on February 24, 1999 and by the Company's shareholders at the May 20, 1999 Annual Meeting of Shareholders. A subsequent amended and restated Plan was approved by the Board of Directors of the Company on February 2, 2001, subject to the approval of the Company's shareholders at the May 9, 2001 Annual Meeting of Shareholders. Unless earlier terminated by the Board pursuant to Section 5.3, the Plan shall terminate on October 22, 2008. No Award shall be made pursuant to the Plan after its termination date, but Awards made on or prior to the termination date may extend beyond that date.

1.3 Shares Available Under the Plan. L.B. Foster Company stock to be offered under the Plan pursuant to Options and SARs may be authorized but unissued common stock or previously issued shares of common stock which have been reacquired by the Company and are held in its treasury. Subject to adjustment under Section 5.6, no more than 900,000 shares of common stock shall be issuable upon the exercise of Options or SARs. Any shares of stock subject to an Option which for any reason is canceled (excluding shares subject to an Option canceled upon the exercise of a related SAR) or terminated without having been exercised shall again be available for Awards under the Plan. Shares subject to an Option canceled upon the exercise of an SAR shall not again be available for Awards under the Plan.

ARTICLE II

DEFINITIONS

2.1 "Award" means, individually or collectively, any Option or SAR under this Plan.

2.2 "Board" means the Board of Directors of L.B. Foster Company.

2.3 "Committee" means directors of the Company, not to be less than two, appointed by the Board, each of who is a "non-employee director" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended. In the absence of such a committee or if the Board, in its discretion, elects to act, the term "Committee" shall mean the Board with respect to any such action.

2.4 "Company" means L.B. Foster Company and its successors and assigns.

2.5 "Director" means a director of the Company or of a Subsidiary.

2.6 "Effective Date" means the date on which the Plan is effective as provided in Section 1.2.

2.7 "Fair Market Value" of the Stock as to a particular time or date means the last sale price of the Stock as reported in the NASDAQ National Market System or, if the Stock is listed on a securities exchange, the last reported sale price of the Stock on such exchange that shall be for consolidated trading if applicable to such exchange, or if neither so reported or listed, the last reported bid price of the Stock.

2.8 "Incentive Stock Option" means an option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended.

2.9 "Key Personnel" means officers and employees of the Company and its Subsidiaries who occupy responsible executive, professional, sales or administrative positions and who have the capacity to contribute to the success of the Company.

2.10 "Nonqualified Stock Option" means a stock option granted under the Plan other than an Incentive Stock Option.

2.11 "Option" means both a Nonqualified Stock Option and an Incentive Stock Option to purchase common stock of the Company.

- 2.12 "Option Price" means the price at which common stock of the Company may be purchased under an Option as provided in Section 4.6.
- 2.13 "Participant" means a person to whom an Award is made under the Plan.
- 2.14 "Personal Representative" means the person or persons who, upon the death, disability or incompetency of a Participant, shall have acquired, by will or by the laws of descent and distribution or by other legal proceedings, the right to exercise an Option or SAR theretofore granted to such Participant.
- 2.15 "Plan" means this 1998 Long-Term Incentive Plan.
- 2.16 "SAR" means a stock appreciation right under the Plan.
- 2.17 "Stock" means common stock of the Company.
- 2.18 "Stock Option Agreement" means an agreement entered into between a Participant and the Company under Section 4.5.
- 2.19 "Subsidiary" means a corporation or other business entity, domestic or foreign, the majority of the voting stock or other voting interests in which is owned directly or indirectly by the Company.

ARTICLE III

ADMINISTRATION

3.1 Committee to Administer.

(a) The Plan shall be administered by the Committee. The Committee shall have full power and authority to interpret and administer the Plan and to establish and amend rules and regulations for its administration. The Committee's decisions shall be final and conclusive with respect to the interpretation of the Plan and any Award made under it.

(b) A majority of the members of the Committee shall constitute a quorum for the conduct of business at any meeting. The Committee shall act by majority vote of the members present at a duly convened meeting, including a telephonic meeting in accordance with Section 1708 of the Pennsylvania Business Corporation Law ("BCL"). Action may be taken without a meeting if written consent thereto is given in accordance with Section 1727 of the BCL.

3.2 Powers of Committee.

(a) Subject to the provisions of the Plan, the Committee shall have authority, in its discretion, to determine those Key Personnel and Directors who shall receive Awards, the time or times when each such Award shall be made and the type of Award to be made, whether an Incentive Stock Option or a Nonqualified Stock Option shall be granted and the number of shares to be subject to each Option.

(b) A Director shall not participate in a vote granting himself an Option or SAR.

(c) The Committee shall determine the terms, restrictions and provisions of the agreement relating to each Award, including such terms, restrictions and provisions as shall be necessary to cause certain Options to qualify as Incentive Stock Options. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan, or in any agreement relating to an Award, in such manner and to the extent the Committee shall determine in order to carry out the purposes of the Plan. The Committee may, in its discretion, accelerate the date on which an Option or SAR may be exercised, if the Committee determines that to do so will be in the best interests of the Company and the Participant.

ARTICLE IV

AWARDS

4.1 Awards. Awards under the Plan shall consist of Incentive Stock Options, Nonqualified Stock Options and/or SARs. All Awards shall be subject to the terms and conditions of the Plan and to such other terms and conditions consistent with the Plan as the Committee deems appropriate. Awards need not be uniform.

4.2 Eligibility for Awards. Awards may be made to Key Personnel and Directors. In selecting Participants and in determining the form and amount of the Award, the Committee may give consideration to his or her functions and responsibilities, his or her present and potential contributions to the success of the Company, the value of his or her services to the Company, and other factors deemed relevant by the Committee.

4.3 Award of Stock Options.

(a) The Committee may, from time to time, subject to Section 3.2(b) and other provisions of the Plan and such terms and conditions as the Committee may prescribe, grant Incentive Stock Options and Nonqualified Stock Options to any Key Personnel or Directors. Awards of Incentive Stock Options and Nonqualified Stock Options shall be separate and not in tandem.

(b) Subject to adjustment in accordance with Section 5.6 and for the period commencing after January 1, 2000, Nonqualified Stock Options to acquire 5,000 shares of Stock shall be awarded to each Director who is not an employee of the Company or subsidiary on each date such Director is elected to serve as a Director at an annual meeting of the Company's shareholders or such Director's term otherwise continues after the adjournment of such annual meeting of shareholders. Awards under this Section 4.3(b) shall be automatic and shall not require action by the Committee. An SAR may not be awarded related to an Option granted under this Section 3.2(b).

4.4 Period of Option.

(a) Unless otherwise provided in the related Stock Option Agreement, an Option granted under the Plan, other than to a Director, shall be exercisable only after twelve (12) months have elapsed from the date of grant and, after such twelve-month waiting period, the Option may be exercised in cumulative installments in the following manner:

(i) The Participant may purchase up to one-fourth (1/4) of the total optioned shares at any time after one year from the date of grant and prior to the termination of the Option.

(ii) The Participant may purchase an additional one-fourth (1/4) of the total optioned shares at any time after two years from the date of grant and prior to the termination of the Option.

(iii) The Participant may purchase an additional one-fourth (1/4) of the total optioned shares at any time after three years from the date of grant and prior to the termination of the Option.

(iv) The Participant may purchase an additional one-fourth (1/4) of the total optioned shares at any time after four years from the date of grant and prior to the termination of the Option.

The duration of each Option shall not be more than ten (10) years from the date of grant.

(b) Except as otherwise provided in the Stock Option Agreement or the Plan, an Option may not be exercised by a Participant, other than a Director, unless such Participant is then, and continually (except for sick leave, military service or other approved leave of absence) after the grant of an Option has been, an officer or employee of the Company or a Subsidiary.

(c) An Option granted to a Director while a Director, whether pursuant to Section 4.3(b) or otherwise, shall be immediately exercisable.

4.5 Stock Option Agreement. Each Option shall be evidenced by a Stock Option Agreement, in such form and containing such provisions not inconsistent with the provisions of the Plan as the Committee from time to time shall approve.

4.6 Option Price and Exercise.

(a) The Option Price of Stock under each Option shall be determined by the Committee but shall be not less than the Fair Market Value of the Stock on the trading day immediately preceding the date on which the Option is granted, as determined by the Committee; provided, however, that the Option Price of Stock under each Option granted under Section 4.3(b) shall be the Fair Market Value of the Stock on the trading day immediately preceding the date on which such Option is granted.

(b) Options may be exercised from time to time by giving written notice of exercise to the Company specifying the number of shares to be purchased. The notice of exercise shall be accompanied by (i) payment in full of the Option Price in cash, certified check, cashier's check or other medium accepted by the Company in its sole discretion or (ii) a copy of irrevocable instructions to a broker to promptly deliver to the Company the amount of sale or loan proceeds sufficient to cover the Option Price. An option shall be deemed exercised upon the date the Company receives the notice of exercise and all the requirements of this Section 4.6(b) have been fulfilled.

4.7 Delivery of Option Shares. The Company shall not be obligated to deliver any shares upon the exercise of an Option unless and until, in the opinion of the Company's counsel, all applicable federal, state and other laws and regulations have been complied with. In the event the outstanding Stock is at the time listed on any stock exchange, no delivery shall be made unless and until the shares to be delivered have been listed or authorized to be added to the list upon official notice of issuance on such exchange. No delivery shall be made

until all other legal matters in connection with the issuance and delivery of shares have been approved by the Company's counsel. Without limiting the generality of the foregoing, the Company may require from the Participant or other person purchasing shares of Stock under the Plan such investment representation or such agreement, if any, as counsel for the Company may consider necessary in order to comply with the Securities Act of 1933, as amended, and the regulations thereunder. Certificates evidencing the shares may be required to bear a restrictive legend. A stop transfer order may be required to be placed with the transfer agent, and the Company may require that the Participant or such other person agree that any sale of the shares will be made only on one or more specified stock exchanges or in such other manner as permitted by the Committee.

The Participant shall notify the Company when any disposition of the shares, whether by sale, gift or otherwise, is made. The Company shall use its best efforts to effect any such compliance and listing, and the Participant or other person shall take any action reasonably requested by the Company in such connection.

4.8 Limitations on Incentive Stock Options.

(a) The aggregate Fair Market Value (determined at the time the Option is granted) of the Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under all plans of the Participant's employer corporation and its parent and subsidiary corporations) shall not exceed \$100,000.

(b) An Incentive Stock Option shall not be granted to any Key Personnel or Director who, at the time of grant, owns stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or any Subsidiary.

(c) No Incentive Stock Option may be exercisable more than three months after termination of the Participant's employment with the Company or with a parent or Subsidiary of the Company, except that where such employment is terminated because of permanent and total disability, within the meaning of Section 22(e)(3) of the Internal Revenue Code of 1986 ("Permanent Disability"), or death, such period may be one year.

4.9 Termination of Service.

(a) Except as otherwise provided in this Plan or in the applicable Stock Option Agreement, if the service of a Participant, other than as a Director, terminates for any reason other than death, permanent disability or retirement with the consent of the Company, all Options held by the Participant shall expire and may not thereafter be exercised 30 days after such termination. For purposes of this section, the employment or other service in respect to Options held by a Participant shall be treated as continuing intact while the participant is on military leave, sick leave, or other bona fide leave of absence (such as temporary employment with the Government) if the period of such leave does not exceed 90 days, or, if longer, so long as the Participant's right to reestablish his service with the Company is guaranteed either by statute or by contract. Where the period of leave exceeds 90 days and where the Participant's right to reestablish his service is not guaranteed by statute or by contract, his service shall be deemed to have terminated on the ninety-first day of such leave. Except as so exercised, such Option shall expire at the end of such period. In no event, however, may any Option be exercised after the expiration of ten (10) years from the date of grant of such Option.

(b) A Director who has served as a director of the Company for 60 months or more and a Director whose services are terminated due to death, Permanent Disability (as determined in Section 4.11), or retirement with the consent of the Company (as determined in Section 4.11), shall be entitled to exercise his option until the expiration of the full term of the Option, unless the Director has been terminated for Cause. A Director who has served as a Director of the Company for less than 60 months and whose services are not terminated due to death, Permanent Disability (as determined in Section 4.11) or retirement with the consent of the Company (as determined in Section 4.11) may exercise such option within 365 days after termination of such Director's services as a director. In the event that a Director is terminated for Cause, all options held by such Director shall expire and shall not thereafter be exercised.

(c) For the purpose of the Plan, termination for Cause shall mean (i) termination due to (a) willful or gross neglect of duties or (b) willful misconduct in the performance of such duties, so as to cause material harm to the Company or any Subsidiary as determined by the Board, (ii) termination due to the Participant committing fraud, misappropriation or embezzlement in the performance of his or her duties or (iii) termination due to the Participant committing any felony of which he or she is convicted and which, as determined in good faith by the Board, constitutes a crime involving moral turpitude and results in material harm to the Company or a Subsidiary.

4.10 Death. Except as otherwise provided in the applicable Stock Option Agreement and except with respect to Directors, if a Participant, dies at a time when his Option is not fully exercised, then at any time or times within such period after his death, not to exceed 12 months, as may be provided in the Stock

Option Agreement, such Option may be exercised as to any or all of the shares which the Participant was entitled to purchase under the Option immediately prior to his death, by his executor or administrator or the person or persons to whom the Option is transferred by will or the applicable laws of descent and distribution. In no event, however, may any Option be exercised after the expiration of ten (10) years from the date of grant of such Option.

4.11 Retirement or Permanent Disability. Except as otherwise provided in the applicable Stock Option Agreement and except with respect to Directors, if a Participant retires from service with the consent of the Company, or suffers Permanent Disability, at a time when he or she is entitled to exercise an Option, then at any time or times within three years after his or her termination of service because of such retirement or Permanent Disability the Participant may exercise such Option as to all or any of the shares which he or she was entitled to purchase under the Option immediately prior to such termination. Except as so exercised, such Option shall expire at the end of such period. In no event, however, may any Option be exercised after the expiration of ten (10) years from the date of grant of such Option.

The Committee shall have authority to determine whether or not a Participant has retired from service or has suffered Permanent Disability, and its determination shall be binding on all concerned. In the sole discretion of the Committee, a transfer of service to an affiliate of the Company other than a Subsidiary (the latter type of transfer not constituting a termination of service for purposes of the Plan) may be deemed to be a retirement from service with the consent of the Company so as to entitle the Participant to exercise the Option within 90 days after such transfer.

4.12 Stockholder Rights and Privileges. A Participant shall have no rights as a stockholder with respect to any Stock covered by an Option until the issuance of a stock certificate to the Participant representing such Stock.

4.13 Award of SARs.

(a) At any time prior to six months before an Option's expiration date and subject to Section 3.2, the Committee may award to the Participant an SAR related to the Option.

(b) The SAR shall represent the right to receive payment of an amount not greater than the amount, if any, by which the Fair Market Value of the Stock on the trading day immediately preceding the date of exercise of the SAR exceeds the Option Price.

(c) SARs awarded under the Plan shall be evidenced by either the Stock Option Agreement or a separate agreement between the Company and the Participant.

(d) An SAR shall be exercisable only at the same time and to the same extent and subject to the same conditions as the Option related thereto is exercisable, except that the Committee may prescribe additional conditions and limitations on the exercise of any SAR, including a maximum appreciation value. An SAR shall be transferable only when the related Option is transferable, and under the same conditions. The exercise of an SAR shall cancel the related Option. SARs may be exercised only when the Fair Market Value of a share of Stock subject to the related Option exceeds the Option Price. Such value shall be determined in the manner specified in Section 4.13(b).

(e) An SAR shall be exercisable only by written notice to the Company and only to the extent that the related Option is exercisable. However, an SAR shall in no event be exercisable during the first six months of its term except in the event of death or Permanent Disability of the Participant prior to the expiration of such six-month period.

(f) All SARs shall automatically be exercised on the last trading day prior to the expiration of the related Option, so long as the Fair Market Value of the Stock at the time of exercise exceeds the Option Price, unless prior to such day the holder instructs the Company otherwise in writing.

(g) Payment of the amount to which a Participant is entitled upon the exercise of an SAR shall be made in cash, Company stock, or partly in cash and partly in Company stock, as the Committee shall determine at the time of the Award. To the extent that payment is made in Company stock, the shares shall be valued at their fair market value, as determined by the Committee.

(h) At any time when a Participant is, in the judgment of counsel to the Company, subject to Section 16 of the Securities Exchange Act of 1934 with respect to any equity securities of the Company:

(i) any election by such Participant to receive cash in whole or in part upon the exercise of such SAR shall be made only during the period beginning on the third business day following the date of release by the Company for publication of any quarterly or annual summary statement of its sales and earnings and ending on the twelfth business day following such date of release, and

(ii) in the event the Committee has not determined the form in which such SAR will be paid (i.e., cash, shares of Company

stock, or any combination thereof), any election to exercise such right in whole or in part for cash shall be subject to the subsequent consent thereto, or disapproval thereof, by the Committee in its sole discretion.

(i) Each SAR shall expire on a date determined by the Committee at the time of Award, or, if later, upon the termination of the related Option.

ARTICLE V

MISCELLANEOUS PROVISIONS

5.1 Nontransferability. No Award under the Plan shall be transferable by the Participant other than by will or the laws of descent and distribution. All Awards shall be exercisable during the Participant's lifetime only by such Participant or his Personal Representative. Any transfer contrary to this Section 5.1 will nullify the Award.

5.2 Amendments. The Committee may at any time discontinue granting Awards under the Plan. The Board may at any time amend the Plan or amend any outstanding Option for the purpose of satisfying the requirements of any changes in applicable laws or regulations or for any other purpose which may at the time be permitted by law; provided that no such amendment shall be permissible if it shall result in Rule 16b-3 under the Securities Exchange Act of 1934, as amended, becoming inapplicable to any Options. No amendment shall adversely affect the right of any Participant under any Award theretofore granted to him or her except upon his or her written consent to such amendment.

5.3 Termination. The Board may terminate the Plan at any time prior to its scheduled expiration date but no such termination shall adversely affect the rights of any Participant under any Award theretofore granted without his or her written consent.

5.4 Nonuniform Determinations. The Committee's determinations under the Plan, including without limitation (i) the determination of the Officers and Directors to receive Awards, (ii) the form, amount and timing of such Awards, (iii) the terms and provisions of such Awards and (iv) the Agreements evidencing the same, need not be uniform and may be made by it selectively among Officers and Directors who receive, or who are eligible to receive, Awards under the Plan, whether or not such Officers or Directors are similarly situated.

5.5 No Right to Employment. Neither the action of the Board in establishing the Plan, nor any action taken by the Committee under the Plan, nor any provision of the Plan, shall be construed as giving to any person the right to be retained in the employ, or as an officer or director, of the Company or any Subsidiary.

5.6 Changes in Stock. In the event of a stock dividend, split-up, or a combination of shares, recapitalization or merger in which the Company is the surviving corporation or other similar capital change, the number and kind of shares of stock or securities of the Company to be subject to the Plan and to Options or SARs then outstanding or to be granted thereunder, the maximum number of shares of stock or security which may be issued on the exercise of Options granted under the Plan, the Option Price and other relevant provisions shall be appropriately adjusted by the Board, whose determination shall be binding on all persons. In the event of a consolidation or a merger in which the Company is not the surviving corporation, or any other merger in which the shareholders of the Company exchange their shares of stock in the Company for stock of another corporation, or in the event of complete liquidation of the Company, or in the case of a tender offer accepted by the Board of Directors, all outstanding Options and SARs shall thereupon terminate, provided that the Board may, prior to the effective date of any such consolidation or merger, either (i) make all outstanding Options and SARs immediately exercisable or (ii) arrange to have the surviving corporation grant to the Participants replacement Options and SARs on terms which the Board shall determine to be fair and reasonable.

5.7 Tax Withholding. Whenever Stock is to be delivered to a Participant upon exercise of an Option, the Company may (i) require such Participant to remit an amount in cash sufficient to satisfy all federal, state and local tax withholding requirements related thereto ("Required Withholding"), (ii) withhold such Required Withholding from compensation otherwise due to such Participant, or (iii) any combination of the foregoing.

5.8 Status A Participant's status as Key Personnel or a Director shall be determined for each Option as of the date the Option is awarded to the Participant.

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*As amended and restated by the Board of Directors on February 2, 2001, subject to shareholders' approval at the May 9, 2001 Annual Meeting of Shareholders.

L.B. FOSTER COMPANY

STANDARD PRACTICE
HUMAN RESOURCES
COMPANY VEHICLE PLAN

DATE: October 1, 2000
STANDARD PRACTICE NO: SP-P-10
SUPERSEDES: SP-P-10 dated
March 1, 1999

1. GENERAL POLICY

It is the policy of the L.B. Foster Company to provide a leased vehicle and/or car allowance to employees holding one of the following positions:

Chairman and President;
Corporate officer;
District sales manager or product manager with a job level of 12 or above;
Other manager with a job level of 15 or above;
Outside sales person or sales manager with a job level between 6 and 10 or;
An employee who drives 12,000 business miles annually.

The Company intends to establish a leased vehicle safety committee and the members of the committee will be responsible for establishing an initial driver training program and a retraining and/or refresher training for long term employees.

2. PURPOSE

The purpose of this program is to establish procedures for complying with appropriate safety regulations and to minimize L.B. Foster's accident frequency and severity. The Company is 100% committed to this policy and procedure.

To provide a competitive environment in the area of employee benefits to attract and retain qualified personnel for eligible management and sales positions and to reduce Company expenses through the Leased Vehicle Plan by avoiding personal automobile mileage reimbursement for high business mileage use.

SP-P-10
Page 2

3. ELIGIBILITY

Monthly employee
Class:Group:Policy:deduction:

A Chairman & CEO \$800.00 monthly car allowance N/A or President & COO to purchase or lease a vehicle based on criteria listed in 3A

B Corporate Officers \$700.00 monthly car allowance N/A to purchase or lease a vehicle based on criteria listed in 3A

C Sales Managers \$500.00 monthly car allowance N/A and product managers to purchase or lease a vehicle with a job level of 12 and based on criteria listed in 3A. above and other managers with a job level of 15 and above who drive less than 12,000 business miles annually

D Sales Managers Employees may select from \$65.00 and product managers the following standard equipped with a job level of 12 and vehicles through the L.B. Foster above and other managers lease program : with a job level of 15 and Dodge Intrepid ES above who drive more Oldsmobile Intrigue GL than 12,000 business Pontiac Grand Prix miles annually

E Outside sales personnel, Employees may select from \$50.00 and sales managers the following standard equipped with a job level between vehicles through the L.B. Foster 6 and 10; other lease program : participants who drive Chevrolet Malibu 12,000 business miles Ford Taurus SE annually Oldsmobile Alero

At the driver's discretion, automobile options may be added and are available at the invoice prices quoted at the time the order is placed. The only options which a driver may add are the options available for the make and models offered under the leased vehicle program. The cost for driver paid options must be paid by the employee to the leasing company (prior to placing the order with the manufacturer) through the Human Resources Department. The driver shall also be responsible for any and all State Tax attributable to the options. Should the driver fail to reimburse the Company for the sales tax within 60 days following the initial request for payment, such amount will be deducted from the employee's pay check.

Should a 4 wheel drive vehicle be required due to the nature or terrain of the driver's territory a special order form will be provided by the Human Resources Department and will require approval by the President. The only options which a driver may add are the options available for the make and models offered on the special order form.

The 4 wheel drive vehicle will be as follows:

Ford Escape

The employee monthly contributions for the 4 wheel drive vehicle will be based on the class D or E deductions.

A. Employees who receive car allowance must purchase/lease a vehicle based on the following guidelines:

- 1) All vehicles must be 4 door vehicles.
- 2) No vehicle which is classified as a convertible is allowed.
- 3) No after market paint or decals are allowed.
- 4) No vehicle may be retained beyond 5 model years old or 75,000 miles, whichever comes first.
- 5) No spoilers are allowed.

As you select the vehicle to purchase/lease with the L.B. Foster car allowance, it is incumbent upon you as an officer/manager of the company to select a make/model that represents the company in a favorable manner when you are engaged in L.B. Foster business.

4. ELIGIBLE DRIVERS

Except in emergencies, driving of the leased vehicle shall be limited to employee and the employee's spouse over the age of twenty-five (25).

5. RESPONSIBILITY

A. Plan Participants

1. It shall be the responsibility of each employee to monitor and report odometer readings as of each November 1st and on the date his/her vehicle is replaced to validate the personal mileage assumption. These odometer readings are to be turned into the Payroll Department during the first week of November on the Company Automobile Odometer Form (attachment SP-P-10.1).

2. If a form is not received, mileage will be reported at 100% personal and reported as such on the employee's W-2. It shall be the responsibility of each employee to maintain records documenting all business and personal mileage usage in accordance with record keeping requirements which may, from time to time, be required by the Internal Revenue Service, and to note this on the Company Automobile Odometer Form (attachment SP-P-10.1).

3. The driver is responsible for operating the vehicle in a safe manner. The use of seat belts is mandatory for the driver and all passengers. The use of alcohol or drugs is prohibited while operating a motor vehicle.

4. If any driver of a company leased vehicle is issued a citation for a DUI the individual will be suspended from the use of such vehicle for one (1) year. If any employee is issued a second DUI citation, the privilege of a company leased vehicle will be removed permanently.

5. All employees receiving a car allowance must show proof of insurance annually by submitting a copy of insurance document to Human Resources. This must be done in January.

6. Leased vehicle participants are required to adhere to the maintenance schedule under the leased vehicle maintenance program.

7. All participant's under this program shall be required to execute SP-P-10.3 on an annual basis.

B. Accounting and Payroll Departments

It shall be the responsibility of the Accounting and Payroll Departments to maintain and verify the records of all Leased Vehicle Plan participants with regard to payroll deductions, individual taxability calculations and W-2 reporting.

C. Human Resources Department

1. It shall be the responsibility of the Human Resources Department to monitor the fleet of Company leased automobiles in service, to provide lease values, to ensure that the appropriate forms are provided to each driver, and to acquire and dispose of all Company leased automobiles.

2. The Vice President, Human Resources shall be responsible for the interpretation and application of the provisions of the Leased Vehicle Plan.

3. The Human Resources Department shall be responsible for obtaining an application and completing a reference check on all new hires which will include obtaining a motor vehicle record on all

new hires. The Human Resources Department shall obtain a copy of the new hire's drivers license prior to authorizing the use of a company vehicle.

4. The Human Resources Department shall be responsible for obtaining a motor vehicle record on each leased vehicle driver annually.

5. The Human Resources Department shall review motor vehicle reports at time of hire and no less than annually thereafter in accordance with SP-P-10.2. Any driver found not in compliance with SP-P-10.2 shall immediately be suspended from driving a company vehicle.

6. The Human Resources Department and the Risk Manager will be responsible for investigating all accidents.

6. PRACTICE

A. Pursuant to the Tax Reform Act of 1984, the value of the personal use of an employer provided automobile must be included in the employee's income and subjected to withholding tax.

B. The annual lease value of an automobile shall be based on its fair market value as determined through the Black Book New Car Invoice Guide, or for vehicles with lease dates beginning in 1998 and thereafter, valued on the manufacture's invoice price plus 4%.

C. The percentage of personal usage of the annual lease value shall represent an additional non-cash item which shall be included as employee income.

- D. The annual lease value shall include all maintenance and insurance but not fuel.
- E. Fuel shall be valued at \$0.055 cents per personal mile driven for employees driving company leased vehicles.
- F. The driver of a company leased vehicle is to use the fuel and maintenance card to charge fuel, maintenance, and repair expenses. Those expenses not charged through this program shall be reimbursed through the Weekly Expense Report. For body damage and repairs refer to 10(C).
- G. Employees who receive a car allowance will be reimbursed via the Company expense report at the per mile rate established by the IRS (2000 rate is \$0.325 cents).
- H. Monthly deductions for Company automobiles shall be reclassified on the employee pay stub as federal withholding tax.
- I. The dollar value of the Company automobile personal use benefit will appear as additional earnings on the employee pay stub and W-2.

7. TRANSFER

The transfer of any Company provided automobile between employees must be authorized by the Human Resources Department.

8. REPLACEMENT

- A. Company leased vehicles shall be eligible for replacement after fifty (50) months of service or 60,000 miles, whichever comes first.
- B. Automobiles ready for replacement may be purchased for 75% of the current Automotive Market Report (AMR) "clean" value, adjusted proportionally for any amount originally paid by the driver, plus any transfer taxes or other costs.
- C. The automobile may be purchased by the original assigned driver or a member of his/her immediate family only (spouse and children). The original assigned driver is not authorized to purchase the vehicle merely for the purpose of selling the vehicle for profit to another individual.
- D. Other employees may submit sealed bids for no less than 75% of the AMR "clean" value should the original assigned driver refuse the purchase opportunity. The highest bidder will be awarded the purchase.

Notwithstanding, the bids of participants in the Company Leased Vehicle Plan will be considered only if no other employee bids for the vehicle. In the event that there is more than one bidder, and the highest bidder purchased a Company leased vehicle within a period of twelve months prior to submission of the bid, then the next highest bidder will be awarded the vehicle.

- E. Automobiles not purchased by employees (for use by the employee or his/her family) will be disposed of by the Human Resources Department.
- F. An employee who purchases an automobile under this standard practice must provide proof of ownership for one year following the purchase. If the employee is unable to provide proof of ownership for one year then such employee will be required to pay the Company the difference between the purchase price and the Fair Market Value of the automobile at the time the car was purchased. The employee will be required to pay the Company the difference within 30 days or such amount will be deducted from his/her paycheck.

9. TERMINATION

- A. At the Company's option, terminating employees may be authorized by the President or Vice President - Human Resources to purchase their assigned vehicle for themselves or members of their immediate family for 85% of the current AMR "clean" value, adjusted proportionally for any amount originally paid by the driver, plus any transfer taxes or other costs.
- B. The immediate supervisor of a terminated employee shall be responsible for ensuring that the terminated employee deposits the leased vehicle and keys at the Company facility prior to or on the day of termination. If the employee wishes to purchase the automobile, he/she shall take possession of the car only when the sale has been finalized.
- C. The Human Resources Department shall be responsible for authorizing the purchase price and release of the automobile to the terminated employee who has elected to purchase the vehicle.

10. ACCIDENT/LOSS RESPONSIBILITY/INSURANCE

- A. Personal property The Corporate Vehicle Insurance Plan does not cover personal articles. Employees must secure their own insurance in the form of a homeowner's policy attachment or specific policy to cover such articles.

- B. Company property Samples, literature, equipment, and supplies which are in the direct possession of an employee shall be the responsibility of the employee if lost, stolen, or damaged.
- C. Accident and loss reports All accidents regardless of fault or amount of damage and property losses must be reported immediately to the employee's manager and the Insurance Department by personal contact and by use of the Preliminary Property Loss Report. Refer to SP-F-1.5 for the automobile accident claim procedures and SP-F-1.6 for reporting property loss.

11. TRAFFIC VIOLATIONS

- It shall be the responsibility of the employee assigned the leased vehicle at the time of the traffic violation to pay any incurred traffic or parking tickets and/or fines. Should the employee fail to reimburse the Company (for any delinquent ticket) within 60 days following notification of the amount due, such amount will be deducted from the employee's paycheck.
- The maximum allowable points per assigned leased vehicle participant will be as reflected on SP-P-10.2. Any participant, or driver, of any Company leased or owned vehicle shall be prohibited from driving a Company vehicle if such employee's points exceed 60.

Prepared by:

/s/Monica Iurlano

Monica Iurlano
Vice President - Human Resources

Approved by:

/s/Lee B. Foster

Lee B. Foster II
Chairman & CEO

L. B. FOSTER COMPANY 2001
MANAGEMENT INCENTIVE COMPENSATION PLAN

I. PURPOSE

To provide incentives and rewards to salaried non-sales managers based upon overall corporate profitability and the performance of individual operating units.

II. CERTAIN DEFINITIONS

The terms below shall be defined as follows for the purposes of the L. B. Foster Company 2001 Management Incentive Compensation Plan. The definitions shall be subject to such adjustments as, from time to time, may be, by the Corporation's Chief Executive Officer.

2.1 Adjusted Operating Unit Target Award" shall be a Participant's Operating Unit Target Award multiplied by the applicable Operating Unit Performance Percentage determined under Section 3.5B(b).

2.2 "Base Compensation" shall mean the total base salary, rounded to the nearest whole dollar, actually paid to a Participant during 2001, excluding payment of overtime, incentive compensation, commissions, reimbursement of expenses, severance, car allowances or any other payments not deemed part of a Participant's base salary; provided, however, that the Participant's contributions to the Corporation's Voluntary Investment Plan shall be included in Base Compensation. Base Compensation for employees who die, retire or are terminated shall include only such compensation paid to such employee during 2001 with respect to the period prior to death, retirement or termination.

2.3 "Base Fund" shall mean the aggregate amount of all cash payments to be made pursuant to this Plan prior to adjustments pursuant to Article IV, which amount shall be determined pursuant to Section 3.1 hereof.

2.4 "Committee" shall mean the Personnel and Compensation Committee of the Board of Directors and any successors thereto.

2.5 "Corporation" shall mean L. B. Foster Company and those subsidiaries thereof in which L.B. Foster Company owns 100% of the outstanding common stock, excluding (except for the purpose of calculating "Pre-Incentive Income") Natmaya, Inc., Fosmart, Inc. and Fexco, Ltd.

2.6 "Fund" shall mean the aggregate amount of all payments made to Plan Participants under this Plan, after deducting all discretionary payments made pursuant to Section 3.3 hereof and subject to Article IV.

2.7 "Individual Incentive Award" shall mean the amount paid to a Participant pursuant to this Plan, which amount shall be determined pursuant to Section 3.5 hereof and which award shall not exceed the lower of: (a) twice the amount of a Participant's Target Award; or (b) the Participant's Target Award allocable to the Product Pool multiplied by a percentage equal to twice the percentage of Target Award paid to Participants in the General Pool. The limitations herein shall not affect amounts distributed under Section 3.3.

2.8 "Operating Unit" shall mean the following units or divisions which are reported in the Company's internal financial statements: CXT Rail, CXT Buildings, Foster Coated Pipe, Threaded Products, Rail Products (excluding CXT Rail), Piling, Fabricated Products and Geotech, subject to such adjustments as may be made by the Chief Executive Officer.

2.9 Operating Unit Target Award" shall mean the portion of a Participant's Target Award allocated to a specific Operating Unit pursuant to Section 3.5B(a).

2.10 "Operating Unit Performance Percentage" shall mean the sum of the percentages earned by the applicable Operating Unit pursuant to Section 3.5B(b) and/or with respect to a Rail Business Unit under Section 3.5(B)(b)(iii) and (iv).

2.11 "Participant" shall mean a salaried employee of the Corporation who satisfies all of the eligibility requirements set forth in Article V hereof.

2.12 "Performance Percentage" shall be each of the Percentages earned by an Operating Unit and/or Rail Business Unit under Section 3(B)(b) and which together equal the Operating Unit Performance Percentage.

2.13 "Plan" shall mean the L. B. Foster Company 2001 Management Incentive Compensation Plan, which Plan shall be in effect only with respect to the fiscal year ending December 31, 2001.

2.14 "Pool" shall mean the Product Pool and the General Pool, as calculated pursuant to Section 3.4 hereof, subject to such adjustments as may be made by the Chief Executive Officer.

2.15 "Pre-Incentive Income" shall mean the audited pre-tax income, after, inter alia, deductions for benefits payable under the 2001 Sales Incentive Plan, of the Corporation for the fiscal year ending December 31, 2001

determined in accordance with generally-accepted accounting principles, excluding (i) benefits payable under this Plan; and (ii) any portion of gains or losses arising from transactions not in the ordinary course of business which the Committee, in its sole discretion, determines to exclude.

2.16 "Pre-Tax Income" shall mean an Operating Unit's and/or a Rail Business Unit's Pre-Tax Income as shown in the Corporation's financial statements and subject to such adjustments as may be made by the Chief Executive Officer, without taking into account incentive compensation under the 2001 Sales Incentive Plan.

2.17 "Rail Business Units" shall mean any of the entire Rail Products (excluding CXT) Operating Unit, New Rail Distribution, New Rail Projects, Relay Rail, Transit Products, Allegheny Rail Products and Mining Division, subject to such adjustments as may be approved by the Chief Executive Officer.

2.18 "Target Award" shall mean the product of a Participant's Base Compensation multiplied by said Participant's Target Percentage.

2.19 "Target Percentage" shall mean those percentages assigned to Participants pursuant to Section 3.2 hereof.

III. PLAN DESCRIPTION

3.1 Base Fund. Subject to Article IV, the amount of the Base Fund shall be calculated by adding the flat rate contribution determined in 3.1A to the marginal rate contributions determined in 3.1B.

3.1A Flat Rate Contribution. The flat rate contribution shall be determined by multiplying the Corporation's Pre-Incentive Income by the following percentages:

Pre-Incentive Income	Percentage	Flat Rate Contribution
\$0 - \$5,999,999	0	0
\$6,000,000 and Over	13	\$780,000 and Over

3.1B Marginal Rate Contribution. If the Corporation achieves any of the following levels of Pre-Incentive Income, the marginal rate contribution shall be determined by adding together the marginal rate contributions through the level of Pre-Incentive Income actually achieved.

Pre-Incentive Income	Marginal Percentage Rate	Maximum Marginal Rate Contribution
\$0 - \$6,999,999	0	0
\$7,000,000 - \$7,999,999	2	\$20,000
\$8,000,000 - \$8,999,999	4	\$40,000
\$9,000,000 - \$9,999,999	6	\$60,000
\$10,000,000 and over	8	\$80,000 and over

Example: If the Corporation earned \$11,500,000 in Pre-Incentive Income the Base Fund would be \$1,735,000, calculated as follows:

- a. Calculate Flat Rate Contribution
 $\$11,500,000 \times 13\% = \$1,495,000$
- b. Calculate Marginal Rate Contribution
 $\$20,000 + \$40,000 + \$60,000 + (\$1,500,000 \times 8\%) = \$240,000$
- c. Calculate Base Fund
 $\$1,495,000 + \$240,000 = \$1,735,000$

3.2 Target Percentages. Subject to adjustment as set forth below, each Participant shall have a Target Percentage based upon the grade level of such Participant, unless determined otherwise by the Chief Executive Officer, on July 1, 2001, as follows:
 Result: % Of Base

Grade Levels	Compensation
CXT - VP Sales	10.0
Grade 10, Plant Managers	12.5
Grade 10, Product Managers	12.5
Grade 11, Plant Managers	15.0
Grade 11, Product Managers	15.0
Grade 12, Management Positions	25.0
Grade 13, Management Positions	27.0

Grade Levels	Result: % Of Base Compensation
Grade 14, Management Positions	30.0
Grade 15, Management Positions	32.0
Grade 16, Management Positions	36.0
Grade 17, Management Positions	38.0
Grade 18, Management Positions	39.0
Grade 19, Management Positions	40.0
Grade 20, Management Positions	50.0
Grade 21, Management Positions	52.0
Grade 22, Management Positions	54.0
Grade 23 and Above	60.0

Other Employees selected, in writing, by L. B. Foster Company's Chairman of the Board and Chief Executive Officer may also be made Participants in the Plan on such terms as may be approved by the Chairman of the Board and Chief Executive Officer.

The Committee may determine performance goals for the Chief Executive Officer, the President and such other officers as the Committee may, in its discretion, select and the Target Percentage for each such Participant will be adjusted upward or downward based upon such Participant's achievement of such goals. The precise method for determining such adjustments for each such Participant shall be separately scheduled and deemed incorporated herein by reference.

Those Participants who have retired or died prior to July 1, 2001 shall have a Target Percentage based upon their grade level at death or retirement.

3.3 Discretionary Payments. Ten percent (10%) of the Base Fund, plus amounts reallocated pursuant to Section 6, shall be reserved for discretionary payments to employees of the Corporation. The recipients of all such awards and the amounts of any such awards initially shall be selected by the Chief Executive Officer, subject to final approval by the Committee. If any amounts are not paid from the amount herein reserved, such remaining amount shall, at the discretion of the Chief Executive Officer, either revert to the Corporation or be allocated to Participants in proportion to their respective Individual Incentive Awards prior to the allocation herein.

3.4 Calculation of Pools. Each Participant and all or any portion of each Participant's Target Award shall be assigned to a Pool by the Chief Executive Officer of the Company. The dollar amount of each Pool will be determined by dividing the portion of the Target Awards assigned to the Pool by the total Target Awards of all Participants and then multiplying such amount by the Fund.

EXAMPLE 1:

THE CORPORATION'S PRE-INCENTIVE INCOME IS \$7,100,000. THE TOTAL OF ALL TARGET AWARDS FOR ALL PLAN PARTICIPANTS IS \$2,100,000, WITH \$1,000,000 ALLOCATED TO THE GENERAL POOL AND \$1,100,000 ALLOCATED TO THE PRODUCT POOL. THE DOLLAR AMOUNT OF EACH POOL WOULD BE CALCULATED AS FOLLOWS:

- (a) Determine Base Fund

$$(\$7,100,000) \times 13\% + (\$100,000 \times 2\%) = \$925,000$$
- (b) Calculate Fund By Deducting 10% For "Discretionary Awards"

$$\$925,000 \times 90\% = \$832,500$$
- (c) Determine Amount of Each Pool
 1. General Pool

\$1,000,000			
-----	x	\$832,500	= \$396,429
\$2,100,000			
 2. Product Pool

\$1,100,000			
-----	x	\$832,500	= \$436,071
\$2,100,000			

3.5 Calculation of Individual Incentive Awards. The calculation of an Individual Incentive Award shall be determined based on the Pool(s) to which a Participant is assigned.

3.5A General Pool Individual Incentive Awards. A General Pool Participant's Individual Incentive Award shall be calculated, subject to the limitations in Section 2.9, as follows:

- (a) Divide Participant's Target Award allocated to General Pool by the sum of all Target Awards allocated to General Pool;
- (b) Multiply (a) by amount of General Pool.

EXAMPLE 2:

THE GENERAL POOL IS \$396,429. THE SUM OF ALL GENERAL POOL PARTICIPANTS' TARGET AWARDS IS \$1,000,000. MANAGER JONES HAS A TARGET AWARD OF \$19,200:

$$\begin{array}{rcl}
 \$ 19,200 & & \\
 \text{-----} & \times & \$396,429 = \$7,611 \\
 \$1,000,000 & & \text{(Individual Incentive Award)}
 \end{array}$$

3.5B Product Pool Individual Incentive Awards

(a) The Chief Executive Officer shall assign all or any portion of a Participant's Target Award to an Operating Unit and/or with respect to Participants within the "Rail Products (excluding CXT)" Operating Unit, the Chief Executive Officer shall assign, for purposes of calculating percentages earned under 3.5(B)(b)(iii), and (b)(iv) only, all or a portion of a Participant's Target Award to one or more Rail Business Units, and may adjust such allocation(s) at any time (the "Operating Unit Target Award"). The Participant's Individual Incentive Award shall be calculated by: (i) multiplying each such Operating Unit Target Award by the sum of the percentages (the "Operating Unit Performance Percentage") earned by the Operating Unit (or, with respect to (b)(iii) and(b)(iv), earned by a Rail Business Unit) under 3.5B(b), with the resulting product being the "Adjusted Operating Unit Target Award" and (ii) multiplying the amount in the Product Pool by a fraction, the numerator of which is the Participant's Adjusted Operating Unit Target Award and the denominator of which is the sum of all Adjusted Operating Unit Target Awards of all Participants in the Product Pool.

(b) The Operating Unit Performance Percentage with respect to the applicable Operating Unit shall be the sum of the following percentages:

- (i) The single "Pre-Tax Income Performance Percentage" set forth below opposite the "Pre-Tax Income as % of the Operating Unit's 2001 Operating Plan" earned by the applicable Operating Unit (subject to the \$5,000 thresholds set forth below and subject to adjustment by the Chief Executive Officer):

Pre-Tax Income as % of Operating Unit's 2001 Operating Plan*	Pre-Tax Income Performance Percentage
75%	5%
80%	10%
85%	20%
90%	30%
95%	40%
100%	50%
110%	65%
120%	80%

* Once an Operating Unit has achieved 75% of the Operating Unit's 2001 Operating Plan Pre-Tax Income, the Operating Unit shall receive credit for additional percentage points under the column on the left above only to the extent each such percentage point represents at least \$5,000 in Pre-Tax Income.

EXAMPLE:

An Operating Unit's 2001 Operating Pre-Tax Income Plan is \$200,000 and in 2001 the Operating Unit achieves exactly \$200,000 in Operating Income.

Since \$150,000 in Pre-Tax Income (\$200,000 X 75%) was required to meet the threshold for any Performance Percentage to be earned under 3.5(b)(i), the \$50,000 "excess" (\$200,000 - \$150,000) will be used to calculate additional Performance Percentages, i.e. \$50,000 (M043) \$5,000 = 10. Accordingly, the Operating Unit would be considered to have achieved 85% of the Operating Unit's 2001 Operating Plan (75% + 10%) and to have earned a 20% Performance Percentage instead of the 50% Performance Percentage that otherwise would have been earned due to the Operating Unit achieving 100% of its 2001 Operating Plan Pre-Tax Income.

(ii) 25% if the Operating Unit met or exceeded its Return on Investment set forth in such Operating Unit's 2001 Operating Plan (subject to adjustment by the Chief Executive Officer), otherwise 0%.

(iii) 15% if the Operating Unit (or the applicable Rail Business Unit) met or exceeded its 2001 Planned Operating Owned Inventory Turnover (subject to adjustment by the Chief Executive Officer), otherwise 0%. The Owned Inventory Turnover shall be the turnover reported in the Corporation's internal financial statements (subject to adjustment by the Chief Executive Officer), which shall be calculated on a twelve-month rolling average.

(iv) 10% if the Operating Unit's (or, the applicable Rail Business Unit's) 2001 Days Sales Outstanding statistic, as reported in the Corporation's internal financial statements, averaged over the last eight months of 2001 is equal or lower than its 2001 Plan for Days Sales Outstanding averaged over the last eight months of the Operating Unit's 2001 Operating Plan (subject to adjustment by the Chief Executive Officer), otherwise 0%.

(c) Notwithstanding any provision herein to the contrary, the sum of all Individual Incentive Awards allocable to an Operating Unit may not exceed 30% of such Operating Unit's Operating Unit Income. A Participant assigned to an Operating Unit affected by this limit shall receive a share of the available Operating Unit Income (i.e. 30% of the Operating Unit's Operating Unit Income) equal to the Participant's applicable Adjusted Operating Unit Target Award divided by the sum of applicable Adjusted Operating Unit Target Awards for all applicable Participants assigned to such Operating Units. Amounts not payable because of this limitation shall be used for discretionary payments under Section 3.3.

EXAMPLE 1:

The Product Pool is \$436,071. Manager Smith's Target Award is \$50,000 and IS ALLOCATED TO ALLEGHENY RAIL. THE ADJUSTED TARGET AWARD OF ALL PARTICIPANTS IN THE PRODUCT POOL IS \$800,000. THE RAIL GROUP, as a whole, satisfied ONLY the requirements in (b)(ii), AND FAILED TO MEET THE REQUIREMENTS OF (b)(i), (b)(iii) AND (b)(iv). ALLEGHENY RAIL MEETS THE REQUIREMENTS OF ALL THOSE SECTIONS AND HAS ALSO EXCEEDED ITS PLANNED PRE-TAX INCOME BY 100% AND \$500,000. MANAGER SMITH'S BONUS WOULD BE CALCULATED AS FOLLOWS:

(a) Operating Performance Percentage

$$0\% + 25\% + 15\% + 10\% = 50\%$$

(i) (ii) (iii) (iv)

(b) Determine Smith's Adjusted Operating Target Award

$$\$50,000 \times 50\% = \$25,000$$

(c) Determine Smith's Individual Award

$$\begin{array}{r} \$25,000 \\ \$800,000 \text{ (sum of all Adjusted} \\ \text{Operating Target Awards)} \end{array} \times \$436,071 = \$13,627$$

EXAMPLE 2:

The Product Pool is \$436,071. Manager Jones' Target Award is \$50,000, with 50% being allocated to Geotech and 50% allocated to CXT Buildings. Geotech's Operating Unit Income is 88% of its 2001 Planned Pre-Tax Income and

Geotech has attained the Return on Investment, Owned Inventory Turnover and Days Sales Outstanding requirements set forth in 3B(b)(ii), (iii) and (iv) respectively. CXT Building's Operating Unit Income is both \$1M above and 200% of its 2001 Planned Pre-Tax Income and CXT Buildings has satisfied all requirements under 3.5B(b) except Days Sales Outstanding under 3.5B(b)(iv). The sum of Adjusted Operating Unit Target Awards for all Participants with respect to Geotech is \$100,000, for all Participants with respect to CXT Buildings is \$200,000 and for all Participants within all Operating Units is \$800,000. Disregarding the requirement that awards may not exceed 30% of the Operating Unit Income for the applicable Operating Unit, Manager Jones' Individual Incentive Award would be calculated as follows:

(a) Operating Unit Performance Percentage

For CXT Buildings:

$$100\% + 25\% + 15\% + 0 = 140\%$$

$$b(i) + b(ii) + b(iii) + b(iv)$$

For Geotech

$$20\% + 25\% + 15\% + 10\% = 70\%$$

$$b(i) + b(ii) + b(iii) + b(iv)$$

(b) Determine Jones' Adjusted Operating Unit Target Awards

For CXT Buildings:

$$(\$50,000 \times 50\%) \times 140\% = \$35,000$$

For Geotech:

$$(\$50,000 \times 50\%) \times 70\% = \$17,500$$

(c) Determine Jones' Individual Incentive Award

For CXT Buildings:

$$\frac{\$35,000}{\$800,000} \times \$436,071 = \$19,078$$

(Product Pool)

For Geotech:

$$\frac{\$17,500}{\$800,000} \times \$436,071 = \$9,539$$

Total Individual Incentive Award \$28,617

EXAMPLE 3:

Same facts as Example 2, except that CXT Building's Operating Unit Income is \$300,000 and the sum of CXT Building's Individual Incentive Awards would be, but for the limits in 3.5B(c), \$100,646.

(a) Determine Maximum Individual Incentive Awards for CXT Building's Participants

$$30\% \times \$300,000 = \$90,000$$

(b) Determine Manager Jones' Share

Jones' Adjusted Operating Unit Target Award	X	Maximum Aggregate
Sum of All CXT Building Adjusted Operating Unit Target Awards		CXT Building Incentive Awards

$$\frac{\$35,000}{\$200,000} \times \$90,000 = \$15,750$$

(c) Determine Amount Available for Discretionary Payments

$$(\$100,646 - \$90,000) = \$10,646$$

(d) Notwithstanding any provision herein to the contrary, a Participant's Individual Incentive Award from the Product Pool may not exceed twice the applicable Performance Percentage for each Performance Percentage earned by the Participant's applicable Operating Unit and/or Rail Business Unit under each of 3(B)(b)(i), (ii), (iii) and (iv) multiplied by the Participant's applicable Operating Unit Target Award. Amounts not payable because of this limitation shall be available for discretionary payments under Section 3.3.

EXAMPLE:

The Product Pool is \$436,071. Rail Products is the only Operating Unit/Rail Business Unit which satisfies any of the criteria in 3.5(B) and Rail Products satisfies only Owned Inventory Turnover in (b)(iii) and Days Sales Outstanding under (b)(iv). Participants in the Rail Group have aggregate Target Awards of \$300,000. In the absence of the limitations in this Section 3.5(B)(d) (and, if applicable, the limitations in Sections 2.7 and 3.5(B)(c)), the Rail Group would receive the entire Product Pool of \$436,071. Due to the limitations (but without reference to any other limitations that may be applicable) of this Section, however, each Participant in the Rail Group would receive 50% (twice

the 15% Performance Percentage in (b)(iii) and twice the 10% Performance Percentage in (b)(iv)) of the Participant's Operating Unit Target Award, and the balance of the Product Pool (\$436,071 - \$300,000) X 50% would be available for discretionary payments under Section 3.3.

IV. STOCK IN LIEU OF CASH FOR EXECUTIVE OFFICERS

Notwithstanding any other provision of this Plan, the Corporation's executive officers, as determined by the Committee, shall receive shares of the Corporation's Common Stock ("Stock"), subject to such restrictions on transferability as the Corporation's legal counsel may deem necessary or appropriate (such restrictions shall provide for no less than a two-year restriction on the voluntary transfer of such stock), in lieu of cash equal to 25% of the Individual Incentive Awards (without taking into account any discretionary payments under Section 3.3) that would otherwise be payable to such officers under the Plan. In the event such restriction on transferability should be violated, all proceeds derived from such transaction shall be forfeited to the Company. Such stock shall be forfeited and revert to the Company in the event the Participant's employment with the Company should cease within two (2) years after the date of grant, unless such forfeiture is waived by the Committee or said termination is attributable to the Participant's death, permanent disability, retirement with the consent of the Company's Chief Executive Officer or in the event of a "Change of Control". The amount of stock to be granted to an executive officer shall be calculated by: (a) dividing the average closing price of the stock for the ten business days preceding the date cash distributions are made under the Plan into a sum equal to 25% of the Individual Incentive Award that, but for this Article IV, would have been payable to such executive officer; and (b) multiplying the resulting quotient by 115% with fractional share interest being rounded to the nearest number of whole shares. Stock shall be deemed distributed to the executive officers on the first day of the calendar month following the date cash distributions are made or as soon thereafter as is practicable but the corporation shall retain custody of such shares until the Participant's risk of forfeiture has ended. Cash which would have been payable to executive officers, but for this Article IV, shall not be distributed and shall remain the property of the Corporation.

"Change of Control" shall mean: (i) any person or group of persons (as used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations thereunder) shall have become the beneficial owner (as defined in Rules 13d-3 and 13d-5 promulgated by the Securities and Exchange Commission (the "SEC") under the Exchange Act) of 20% or more of the combined voting power of all the outstanding voting securities of the Corporation or, (ii) at any time following any merger, consolidation, acquisition, sale of assets or other corporate restructuring of Corporation, during any period of six consecutive calendar months, individuals who were directors of the Corporation on the first day of such period, together with individuals elected as directors by not less than two-thirds of the individuals who were directors of the Corporation on the first day of such period, shall cease to constitute a majority of the members of the board of directors of the Corporation.

V. ELIGIBILITY

Unless changed or amended by the Committee, an employee shall be deemed a Participant in the Plan only if all of the following requirements are satisfied:

- A. A Participant must be a salaried employee of the Corporation, at a grade level set forth in Section 3.2 or as otherwise approved by L. B. Foster Company's Chairman of the Board and Chief Executive Officer, for at least six (6) months of the entire fiscal year, unless deceased or retired.
- B. A Participant may not have: (i) been terminated for cause; (ii) voluntarily have resigned (other than due to retirement with the Company's consent) prior to the date Individual Incentive Awards are paid; or (iii), unless the Corporation agrees in writing that the employee shall remain a Participant in this Plan, been terminated for any reason whatsoever and have received money from the Corporation in connection with said termination.
- C. A Participant's services may not primarily be provided to the Natmaya, Inc., Fosmart, Inc. or Fexco, Ltd. unless otherwise approved by the Chief Executive Officer.
- D. A Participant may not, unless agreed to in writing by the Chief Executive Officer, be a participant in any other incentive plan maintained by the Corporation, other than the Corporation's stock option plans.

Notwithstanding the foregoing, Brian N. Southon, George H. Nelson and Franklin B. Davis shall not be Participants in the Plan.

As used herein, "cause" to terminate employment shall exist upon (i) the failure of an employee to substantially perform his duties with the Corporation; (ii) the engaging by an employee in any criminal act or in other conduct injurious to the Corporation; or (iii) the failure of an employee to follow the reasonable directives of the employee's superior(s).

VI. REALLOCATIONS

Any portion of the Fund not otherwise distributed shall be available for discretionary payments under Section 3.3.

VII. PAYMENT OF AWARDS

Payment of Individual Incentive Awards will be made on or before March 15, 2002, except that the timing of the distribution of stock pursuant to Article IV shall be governed by Article IV.

VIII. ADMINISTRATION AND INTERPRETATION OF THE PLAN

The President, if there is a dispute, shall determine the Operating Unit(s) that will receive credit for any sale and/or how credit for any sale is to be allocated among any Operating Units. The President's decisions are subject to final review by the Committee if the Chief Executive Officer requests such review or if the Committee otherwise requests such review.

A determination by the Committee in carrying out, administering or interpreting this Plan shall be final and binding for all purposes and upon all interested persons and their heirs, successors and personal representatives.

The Committee may, from time to time, amend the Plan; provided, however, that the Committee may not amend, terminate or suspend the Plan so as to reduce the Base Fund payable under the Plan, subject to any reversions permitted under Section 3.3.

The Chief Executive Officer may delegate any of his duties herein.

The Corporation's independent public accountants will review and verify the Corporation's determination of Pre-Incentive Income. The Corporation's Internal Audit Department will review and verify the calculation of Individual Incentive Awards.

Employees are expected to act in the best interests of the Company and in accordance with Company policies. Any actions that conflict with these expectations may result in disciplinary action, up to and including termination.

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statements Nos. 33-17073, 33-35152, 33-79450, 333-65885 and 333-81535 of L.B. Foster Company of our report dated January 22, 2001, with respect to the consolidated financial statements and schedule of L.B. Foster Company included in this Form 10-K for the year ended December 31, 2000.

/s/Ernst & Young LLP

Pittsburgh, Pennsylvania
March 30, 2001