

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

Form 10-Q
Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter Ended March 31, 1997

Commission File Number 0-10436

L. B. Foster Company

(Exact name of registrant as specified in its charter)

Delaware

25-1324733

(State of Incorporation)

(I.R.S. Employer Identification No.)

415 Holiday Drive, Pittsburgh, Pennsylvania

15220

(Address of principal executive offices)

(Zip Code)

(412) 928-3417

(Registrant's telephone number, including area code)

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 X

No

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 May 8, 1997
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Class A Common Stock, Par Value \$.01	10,162,738 Shares

L. B. FOSTER COMPANY AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

L. B. FOSTER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands)

ASSETS	March 31, 1997	December 31, 1996

Current Assets:		
Cash and cash equivalents	\$ 2,846	\$ 1,201
Accounts and notes receivable (Note 3):		
Trade	42,114	49,468
Other	2,436	450
	44,550	49,918

Inventories (Note 4)	52,662	42,925
Current deferred tax assets	1,018	1,214
Other current assets	405	398
	101,481	95,656

Property, Plant & Equipment-At Cost	40,376	40,965
Less Accumulated Depreciation	(20,368)	(20,498)
	20,008	20,467

Property Held for Resale	4,053	4,022

Other Assets	3,407	3,253

TOTAL ASSETS	\$128,949	\$123,398

LIABILITIES AND STOCKHOLDERS' EQUITY		

Current Liabilities:		
Current maturities of long-term debt	\$ 1,335	\$ 1,366
Short-term borrowings (Note 5)	12,730	6,000
Accounts payable	19,224	19,060
Accrued payroll and employee benefits payable	2,180	3,543
Other current liabilities	1,450	2,160
	36,919	32,129

Long-Term Debt	21,494	21,816

Deferred Tax Liabilities	418	394

Other Long-Term Liabilities	1,990	1,878

Stockholders' Equity:		
Class A Common stock	102	102
Paid-in capital	35,425	35,276
Retained earnings	32,745	32,338
Treasury stock	(144)	(535)
	68,128	67,181

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$128,949	\$123,398

See Notes to Condensed Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Per Share Amounts)

	Three Months Ended	
	1997	March 31, 1996
Net Sales	\$54,494	\$48,303
Costs and Expenses:		
Cost of Goods Sold	48,060	42,104
Selling and Administrative Expenses	5,302	5,403
Interest Expense	535	564
Other (Income) Expense	(83)	(128)
	53,814	47,943
Income Before Income Taxes	680	360
Income Tax Expense	273	140
Net Income	407	220
Earnings Per Common Share (Note 6)	\$0.04	\$0.02
Average Number of Common Shares Outstanding	10,131	9,934
Cash Dividend per Common Share		

See Notes to Condensed Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

Three Months
Ended March 31,
1997 1996

Cash Flows from Operating Activities:		
Net Income	\$ 407	\$ 220
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities:		
Deferred income taxes	220	140
Depreciation and amortization	646	874
Gain on sale of property, plant and equipment	(157)	(178)
Change in Operating Assets and Liabilities:		
Accounts receivable	5,368	6,166
Inventories	(9,737)	(3,153)
Property held for resale	(31)	358
Other current asset	(7)	33
Other non-current assets	(195)	(288)
Accounts payable-trade	164	2,156
Accrued payroll and employee benefits	(1,363)	(476)
Other current liabilities	(710)	(1,239)
Other liabilities	112	93

Net Cash (Used) Provided by Operating Activities	(5,283)	4,706
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Cash Flows from Investing Activities:		
Proceeds from sale of property, plant and equipment	563	1,079
Capital expenditures on property, plant and equipment	(518)	(596)

Net Cash Provided by Investing Activities	45	483
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Cash Flows from Financing Activities:		
Proceeds (repayments) from issuance of revolving credit agreement borrowings	6,730	(4,665)
Exercise of stock options	540	15
Repayments of long-term debt	(387)	(331)

Net Cash Provided (Used) by Financing Activities	6,883	(4,981)
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Net Increase in Cash and Cash Equivalents	1,645	208
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Cash and Cash Equivalents at Beginning of Period	1,201	1,325
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Cash and Cash Equivalents at End of Period	\$ 2,846	\$ 1,533
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Supplemental Disclosures of Cash Flow Information:

Interest Paid	\$ 524	\$ 602
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Income Taxes Paid	\$ 17	\$ 34
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During 1997 and 1996, the Company financed the purchase of certain capital expenditures totaling \$33,500 and \$117,000, respectively, through the issuance of capital leases.

See Notes to Condensed Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all estimates and adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included, however, actual results could differ from those estimates. Operating results for the three months ended March 31, 1997 are not necessarily indicative of the results that may be expected for the year ended December 31, 1997. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1996.

2. ACCOUNTING PRINCIPLES

In October 1995, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation". 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, but provides, when material, the pro forma disclosures required by SFAS No. 123.

3. ACCOUNTS RECEIVABLE

Credit is extended on an evaluation of the customer's financial condition and, generally, collateral is not required. Credit terms are consistent with industry standards and practices. Trade accounts receivable at March 31, 1997 and December 31, 1996 have been reduced by an allowance for doubtful accounts of \$1,854,000 and \$1,803,000, respectively. Bad debt expense was \$51,000 and \$57,000 for the three month periods ended March 31, 1997 and 1996, respectively.

4. INVENTORIES

Inventories of the Company at March 31, 1997 and December 31, 1996 are summarized as follows (in thousands):

	March 31, 1997	December 31, 1996

Finished goods	\$ 40,766	\$ 31,347
Work-in-process	11,560	11,117
Raw materials	3,160	3,135

Total inventories at current costs:	55,486	45,599

(Less):		
Current costs over LIFO stated values	(2,224)	(2,074)
Reserve for decline in market value of inventories	(600)	(600)

	\$ 52,662	\$ 42,925

Inventories of the Company are generally valued at the lower of last-in, first-out (LIFO) cost or market. Other inventories of the Company are valued at average cost or market, whichever is lower. An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must necessarily be based on management's estimates of expected year-end levels and costs.

5. SHORT-TERM BORROWINGS

The Company maintains a \$45,000,000 revolving credit agreement. The interest rate is, at the Company's option, based on the prime rate, the domestic certificate of deposit rate (CD rate) or the Euro-bank rate. The interest rates are adjusted quarterly based on the fixed charge coverage ratio defined in the agreement. The ranges are prime to prime plus 0.25%, the CD rate plus 0.45% to the CD rate plus 1.125%, and the Euro-bank rate plus 0.45% to the Euro-bank rate plus 1.125%. Borrowings under the agreement, which expires July 1, 1999, are secured by accounts receivable and inventory.

The agreement includes financial covenants requiring a minimum net worth, a fixed charge coverage ratio, a leverage ratio and a current ratio. The agreement also places restrictions on dividends, investments, capital expenditures, indebtedness and sales of certain assets.

6. EARNINGS PER COMMON SHARE

Earnings per common share are computed by dividing net income by the average number of Class A common shares and common stock equivalents outstanding during the periods ended March 31, 1997 and 1996 of approximately 10,131,000 and 9,934,000, respectively.

Common stock equivalents are the net additional number of shares which would be issuable upon the exercise of the outstanding common stock options, assuming that the Company used the proceeds to purchase additional shares at market value. Common stock equivalents had no material effect on the computation of earnings per share for the periods ending March 31, 1997 and 1996.

In February 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings per Share", which is required to be adopted on December 31, 1997. At that time, the Company will be required to change the method currently used to compute earnings per share and to restate all prior periods. Under the new requirements for calculating primary earnings per share, the dilutive effect of stock options will be excluded. The impact of Statement 128 on the calculations of primary and fully diluted earnings per share for the first quarters ended March 31, 1997 and March 31, 1996 is not material.

7. COMMITMENTS AND CONTINGENT LIABILITIES

The Company is subject to laws and regulations relating to the protection of the environment. While it is not possible to quantify with certainty the potential impact of actions regarding environmental matters, particularly any future remediation and other compliance efforts, in the opinion of management, compliance with the present environmental protection laws will not have a material adverse effect on the financial position, competitive position, or capital expenditures of the Company. The Company will provide for any liability as defined in SOP 96-1, "Environmental Remediation Liabilities." However, the Company's efforts to comply with increasingly stringent environmental regulations may have an adverse effect on the Company's future earnings.

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 March 31, 1997, the Company had outstanding letters of credit of approximately \$1,172,000.

Management's Discussion and Analysis of Financial Condition
and Results of Operations

	Three Months Ended March 31,	
	1997	1996
(Dollars in thousands)		
Net Sales:		
Rail Products	\$23,546	\$23,519
Construction Products	19,198	16,018
Tubular Products	11,750	8,766
Total Net Sales	54,494	48,303
Gross Profit:		
Rail Products	2,687	3,514
Construction Products	2,378	2,076
Tubular Products	1,369	609
Total Gross Profit	6,434	6,199
Expenses:		
Selling and administrative expenses	5,302	5,403
Interest expense	535	564
Other (income) expense	(83)	(128)
Total Expenses	5,754	5,839
Income Before Income Taxes	680	360
Income Tax Expense	273	140
Net Income	\$ 407	\$ 220

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 1997

The net income for the 1997 first quarter was \$0.4 million or \$0.04 per share on net sales of \$54.5 million. This compares to a 1996 first quarter net income of \$0.2 million or \$0.02 per share on net sales of \$48.3 million.

Rail products' first quarter net sales in both 1997 and 1996 were \$23.5 million. Construction products' first quarter net sales increased 20% from the year earlier quarter, which suffered from harsh winter weather. Tubular products' net sales in the quarter were \$11.8 million or an increase of 34% which reflects the improvement in the Coated Pipe Division. Changes in net sales are primarily the result of changes in volume rather than changes in prices.

The gross margin percentage for the total company in the 1997 first quarter decreased to 12% from 13% in the 1996 first quarter. Rail products' gross margin percentage decreased to 11% from 15% in the first quarter of 1996 due to increased competitive pricing pressures in the rail market. Construction products' gross margin percentage decreased slightly to 12% from 13% due to implementation of the Company's plan to get out of the pile driving equipment business. The gross margin percentage for tubular products climbed to 12% from 7% as a result of improvements in the Coated Pipe Division's Birmingham operations.

Selling and administrative expenses decreased 2% in the 1997 first quarter from the same period last year while interest expense decreased 5%.

LIQUIDITY AND CAPITAL RESOURCES

The Company's ability to generate internal cash flow ("liquidity") results from the sale of inventory and the collection of accounts receivable. During the first three months of 1997, the average turnover rate for inventory decreased slightly from the prior year primarily due to the purchase of Bethlehem piling for stock. The turnover rate for accounts receivable during the first three months of 1997 was higher than during the same period of the prior year due to an increase in collection rate. Working capital at March 31, 1997 was \$64.6 million compared to \$63.5 million at December 31, 1996.

During the first three months of 1997, the Company had capital expenditures of \$0.5 million. Excluding acquisitions, capital expenditures in 1997 are not expected to exceed \$3.0 million and are anticipated to be funded by cash flows from operations.

Total revolving credit agreement borrowings at March 31, 1997 were \$30.7 million or an increase of \$6.7 million from the end of the prior year. At March 31, 1997, the Company had approximately \$13.2 million in available unused borrowing commitment. Management believes its internal and external sources of funds are adequate to meet anticipated needs.

OTHER MATTERS

The Company owns approximately 13% of the common stock in the Dakota, Minnesota & Eastern Railroad Corporation (DM&E), a privately-held, regional railroad which operates over 1,100 miles of track located principally in South Dakota and Minnesota. The market value of this investment is not readily determinable and, therefore, the investment is recorded in the Company's accounts at its historical cost of \$0.2 million. The book value of this stock, as reflected in the DM&E's records is about \$2 million. If this business is sold, the Company believes that the potential sale price could significantly exceed DM&E's book value.

As stated previously, the Company has made a decision to divest its Fosterweld operations and does not expect to complete any potential sale in the near-term. Additionally, the Company has decided to exit the pile driving equipment business through sales and leases of its remaining assets.

On May 6, 1997 the Company acquired the assets of the Monitor Group, a division of Industrial Scientific of Delaware, Inc. The Monitor Group designs, develops and assembles portable mass spectrometers. Mass spectrometers are used to measure gas compositions and concentrations for various applications, including monitoring air quality for the mining industry and serving as a process monitor and diagnostic tool in chemical manufacturing industries. For the balance of 1997, the Company anticipates that the Monitor Group's operating costs will exceed the Division's revenue.

Management continues to evaluate the overall performance of certain operations. A decision to terminate an existing operation could have a material 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's primary supplier of piling products, Bethlehem Structural Products Corporation, has shut down its hot rolled sheet piling and structural products facility in Bethlehem, PA as of March 1997. The Company purchased Bethlehem's remaining piling production and will use a portion of this inventory to maintain its rental piling business beyond 1997.

The Company has agreed, in principal, to become Chaparral Steel Corporation's exclusive distributor of piling products manufactured at Chaparral's proposed new structural mill. Chaparral previously has announced that the new mill would be located in the eastern United States and should be operational in the first half of 1999.

The rail segment of the business depends on one source for fulfilling certain trackwork contracts. The Company has provided \$5.2 million of working capital to this supplier in the form of loans and advanced payments. If, for any reason, this supplier is unable to perform, the Company could experience a negative short term effect on earnings.

The Company's operations are in part 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 operations results may also be affected by the weather.

Although backlog is not necessarily indicative of future operating results, total Company backlog at March 31, 1997, was approximately \$68 million. This does not include the previously awarded Tren-Urbano project which will have an order value of \$17 - \$20 million. If this project was included in the following table, Rail Products' backlog would be, at a minimum, \$51 million and the total backlog would be \$85 million.

Backlog

	March 31, 1997	March 31, 1996	December 31, 1996
(Dollars in thousands)			
Rail Products	\$ 33,928	\$ 43,722	\$ 36,100
Construction Products	22,048	37,562	28,080
Tubular Products	12,523	13,872	11,328
 Total Backlog	 \$ 68,499	 \$ 95,156	 \$ 75,508

FORWARD-LOOKING STATEMENTS

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), as well as oral statements made from time to time by representatives of the Company. 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.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

See Note 7, "Commitments and Contingent Liabilities", to the Condensed Consolidated Financial Statements.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

a) EXHIBITS

Unless marked by an asterisk, all exhibits are incorporated herein by reference:

- 3.1 Restated Certificate of Incorporation as amended to date filed as Exhibit 3.1 to Form 10-Q for the quarter ended March 31, 1987.
- 3.2 Bylaws of the Registrant, as amended to date, filed as Exhibit 3.2 to Form 10-K for the year ended December 31, 1993.
- 4.1 Amended and Restated Loan Agreement by and among the Registrant and Mellon Bank, N.A., NBD Bank, and Corestates Bank, N.A. dated as of November 1, 1995 and filed as Exhibit 4.1 to Form 10-K for the year ended December 31, 1995.
- 10.15 Lease between the Registrant and Amax, Inc. for manufacturing facility at Parkersburg, West Virginia, dated as of October 19, 1978, filed as Exhibit 10.15 to Registration Statement No. 2-72051.
- 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.
- 10.19 Lease between the Registrant and American Cast Iron Pipe Company for Pipe Coating Facility in Birmingham, Alabama dated December 11, 1991 and 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.
- 10.33.2 Amended and Restated 1985 Long-Term Incentive Plan, as amended and restated February 26, 1997 and filed as Exhibit 10.33.2 to Form 10-K for the year ended December 31, 1996.
**
- 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. Filed as Exhibit 10.46 to Form 10-K for the year ended December 31, 1993. **
- 10.49 Lease agreement between Newport Steel Corporation and L.B. Foster Company dated as of October 12, 1994 and filed as Exhibit 10.49 to Form 10-Q for the quarter ended September 30, 1994.
- 10.50 L. B. Foster Company 1997 Incentive Compensation Plan. Filed as Exhibit 10.50 to Form 10-K for the year ended December 31, 1996. **
- 10.51 Supplemental Executive Retirement Plan. Filed as Exhibit 10.51 to Form 10-K for the year ended December 31, 1994. **
- 10.52 L. B. Foster Company Officer Loan Program. Filed as Exhibit 10.52 to Form 10-Q for the quarter ended September 30, 1996.
- 10.53 Amendment to L. B. Foster Company Officer Loan Program. Filed as Exhibit 10.53 to Form 10-K for the year ended December 31, 1996.

19 Exhibits marked with an asterisk are filed herewith.

** Identified 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 by the Registrant during the three month period ended March 31, 1997.

SIGNATURE

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

L. B. FOSTER COMPANY

(Registrant)

Date: May 15, 1997

By /s/Roger F. Nejes

Roger F. Nejes
Sr. Vice President-
Finance and Administration
& Chief Financial Officer
(Principal Financial Officer
and Duly Authorized Officer
of Registrant)

3-MOS

DEC-31-1997

MAR-31-1997

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1,854

52,662

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50,541

26,480

128,949

36,919

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AMENDMENT TO SUBLEASE AGREEMENT
(as amended)
BETWEEN
AMERICAN CAST IRON PIPE COMPANY
AND
L.B. FOSTER COMPANY

Dated as of December 11, 1991

AMENDMENT NO. 3
Dated as of April 15 , 1997

AMENDMENT NO. 3
TO SUBLEASE AGREEMENT

THIS AMENDMENT TO SUBLEASE AGREEMENT dated December 11, 1991, as amended, ("Sublease") by and between AMERICAN CAST IRON PIPE COMPANY, a Georgia corporation, ("Landlord") and L.B. FOSTER COMPANY, a Delaware corporation, ("Tenant") is made and entered into between Landlord and Tenant on and as of this the 15th day of April, 1997 ("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 and by Amendment which provides that the Commencement Date of the Sublease is April 1, 1992, and extends the term of the Sublease; and

WHEREAS, Tenant has requested that Landlord construct the improvements identified on Exhibit 2A to this Amendment on the "demised premises" (as herein defined), and Landlord is willing to construct the improvements ("Improvement" or "Improvements") on and subject to the terms and conditions set forth in this Amendment.

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, "demised premises" is hereby redefined to mean the coating yard described on Amended Exhibit "A" to the Sublease and any and all improvements located on the demised premises;

(b) the term, "building" means the building referenced in Exhibit "B" to the Sublease (such building is referred to herein as "building" or "Original Building") and the term "buildings" means any and all enclosed structures located on the demised premises, including, without limitation, the Improvement or Improvements and the Original Building;

(c) the term, "Supplemental Commencement Date," means the first day of the first month immediately following the earlier of (i) the date on which the Landlord's representative responsible for supervising construction shall certify in writing to Landlord or the Prime Landlord that the Improvement is substantially complete and ready for use (except for the personal property required to be installed or supplied by Tenant), or (ii) the date of the issuance by the appropriate governmental authority of a temporary certificate of occupancy for the building comprising the Improvement or (iii) the date on which Tenant commences business in such building;

(d) the term, "Supplemental Sublease Year," means the period of twelve (12) consecutive months commencing on the Supplemental Commencement Date and on each annual anniversary of the Supplemental Commencement Date during the term of this Sublease; and

(e) the term "rent" or "rents" or "rental" or "rentals" as used in Article 7, Article 13, Article 15(d) and 15(f), Article 16, Article 19(b), and Article 28(a) shall mean and include "Basic Rent," "Additional Rent," and "Supplemental Rent," as those terms are defined in the Sublease.

B. FURTHER AGREEMENTS AND AMENDMENTS.

1. ARTICLE 1. PREMISES AND TERM. Article 1 (Premises and Term) is hereby amended,

(a) by changing and amending the first paragraph of Article 1 to read as follows:

"Landlord subleases to Tenant, and Tenant does sublease and take from Landlord, the demised premises." and,

(b) by changing and amending the second paragraph of Article 1 to read 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 the fifth (5th) anniversary of the Supplemental Commencement Date, subject, however, to earlier termination as provided elsewhere in this sublease."

2. The following is hereby added as Article 2A:

ARTICLE 2A. CONSTRUCTION OF IMPROVEMENTS. Landlord agrees to construct or cause to be constructed the Improvements on the Demised Premises, in accordance with the plans and specifications prepared by Landlord's engineering department, and dated _____, 1997, copies of which are attached hereto and incorporated herein as Exhibit "2A" and have been initialed by Landlord and Tenant, which plans and specifications the parties have carefully reviewed and specifically approved."

3. (a) The parties agree that Article 3(a) of the Sublease has been fully executed and performed, and that the Commencement Date was April 1, 1992;

(b) Article 3(b) (Fixed Commencement Date) is hereby amended to read as follows:

"(b) Recordable Declaration. Upon the demand of either Landlord or Tenant, the parties hereto will execute a written declaration in recordable form expressing the specific commencement and termination dates of the term of this Sublease."

4. Article 6(a) is hereby amended by changing and amending the last sentence thereof to read as follows:

"In addition to the Basic Rent, Tenant shall pay additional rent and supplemental rent based upon a percentage of Tenant's gross revenues from business operations conducted on the demised premises, as hereinafter set forth."

5. Article 6(b) is hereby amended as follows:

(a) by changing and amending the first paragraph of Article 6(b)(ii) to read as follows:

"(ii) During each subsequent 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 Sublease Year, the part of the Sublease Year remaining until the expiration or earlier termination of the term of this Sublease, in addition to the Basic Rent, Tenant shall pay to Landlord an Additional Rent for the demised premises equal to a mutually agreed upon percentage of Tenant's gross revenues earned by Tenant's pipe coating operations conducted in the demised premises."

(b) by changing and amending the first sentence of the second paragraph of Article 6(b)(ii) to read as follows:

"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 year or part year to which such percentages shall apply, the following shall apply for the following year or part thereof remaining until the expiration or earlier termination of the term of this Sublease."

(c) by adding the following as Article 6(b)(iii):

"(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 the expiration or earlier termination of the term of this Sublease, in addition to the Additional Rent, Tenant shall pay the Landlord additional rent for the demised premises ("Supplemental Rent") equal to three-quarters of one percent (0.75%) of "gross revenues" (as defined in the Sublease) earned in the coating of pipe by Tenant (regardless of pipe size) in the demised premises."

6. Article 6(d) (Method of Payment of Additional Rent) is hereby amended by adding the words, "and Supplemental Rent" after the words "Additional Rent" wherever "Additional Rent" appears in Article 6(d), and by changing the verb "is" to "are" wherever required for grammatical correctness as a result of such addition of the words "and Supplemental Rent."

7. (a) Article 6(e)(i) is hereby amended to read 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 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."

(b) Article 6(e)(ii) is hereby amended as follows:

(1) by deleting the period at the end of the first sentence of Article 6(e)(ii) and there inserting the words, "or part thereof that shall have expired as of the expiration of the term or earlier termination of this Sublease."; and

(2) by deleting the last two sentences thereof and, in lieu of such sentences, inserting the following:

"If an inspection accurately discloses that further Additional Rent or Supplemental Rent is owed by Tenant, the Tenant will immediately deliver its

payment of such Additional Rent or Supplemental Rent or both. The acceptance by Landlord of Additional Rent or Supplemental Rent shall not be deemed a waiver of its rights to claim further Additional Rent or Supplemental Rent or both after a review and inspection of Tenant's books and records."

(c) Article 6(e)(iii) is hereby amended by adding the words "or Supplemental Rent" after the words "Additional Rent" where "Additional Rent" appears in Article 6(b)(iii).

8. Article 8(a)(i) (Insurance -- All Risks of Physical Loss or Damage) is hereby amended to read as follows:

"(i) All Risks of Physical Loss or Damage. During the term of this Sublease, Tenant shall reimburse Landlord for the amount of the annual premium paid by Landlord to maintain insurance on any improvements located on the demised premises against all risks of physical loss or damage as provided by the insurance. The insurance shall be maintained in an amount at all times not less than 100% of the full insurable value thereof, subject to a deductible of \$25,000 per occurrence. The term "full insurable value" shall mean actual replacement value of any buildings or other improvements. Full insurable value shall be determined from time to time (but not more frequently than once in any twelve (12) calendar months) at the request of Landlord by the insurer or, at the option of Landlord, by an appraiser, engineer, architect, or contractor who shall be mutually acceptable to Landlord and the Prime Landlord. The Landlord shall be the named insured and the Prime Landlord shall be an additional named insured. All payments for loss shall be paid to Landlord. Tenant agrees to pay Landlord the replacement value of any physical loss or damage to any of the buildings that is, by virtue of the deductible only, not covered by insurance."

9. Article 13 (Maintenance and Repairs) is hereby amended by changing and amending the first paragraph of said Article to read as follows:

"It is understood and agreed that Landlord shall, at its sole cost and expense, keep and maintain during the term of this Sublease or any extension or renewal thereof the foundations, roofs, and structural support portions of the exterior of all buildings in proper condition and in a good state of repair. Landlord shall be responsible for the initial painting of the Improvement and Tenant shall be responsible for thereafter painting the Improvement and any other buildings. Landlord shall not be responsible for any maintenance or repair caused by the fault or neglect of Tenant or due to hazards and risks covered or required to be covered by insurance hereunder except as insurance proceeds are available therefor. All other maintenance and repair of the buildings, including cleaning of exteriors (other than the initial painting of the Improvement) and interior walls, and maintenance and repairs, and replacement of equipment, shall be the sole responsibility of Tenant."

10. Article 14 (Fire or Other Casualty Losses) is hereby amended to read as follows:

"ARTICLE 14. FIRE OR OTHER CASUALTY LOSSES. If any improvement or improvements located on the demised premises should be damaged or destroyed during the Sublease Term by fire or other insurable casualty without the fault of Tenant, Landlord shall repair and/or restore the same to substantially the condition such improvement or improvements was in immediately prior to such damage or destruction, except as in this Article provided. Landlord's obligation under this Article shall in no event exceed the scope of the work required to be done by Landlord in the original construction of any such improvement. Landlord shall not be required to, but Tenant, unless otherwise agreed by Landlord, may with due dispatch replace or restore forthwith any trade fixture, signs, or other installations theretofore installed by Tenant. Basic Rent payable under this Sublease shall be abated if such fire or other insurable casualty renders the Original Building unusable by Tenant, but if any such casualty is caused by the fault of Tenant, there shall be no abatement of rent. Such abatement shall continue for the period commencing with such casualty and ending with the completion by Landlord of such work or repair and/or reconstruction as Landlord is obligated to do. If, however, the Original Building shall be damaged or destroyed by any cause so that the Landlord shall decide to demolish or abandon, or completely rebuild it, Landlord may, within sixty (60) days after such damage or destruction, give Tenant written notice of such decision, and thereupon this Sublease shall be deemed to have terminated as of the date of the damage or destruction and Tenant shall immediately quit and surrender the demised premises to Landlord; provided that Tenant shall have sixty (60) days thereafter to remove its property from the demised premises."

11. Article 15 (Eminent Domain) is hereby amended as follows:

(a) by inserting the words "Supplemental Rent" after "Rent," in the fifth

line of

Article 15(b);

(b) by changing and amending subpart (c) to read as follows:

"(c) Partial Condemnation. (i) If less than the whole or less than substantially all of the demised premises shall be taken in such proceedings, and the part so taken shall consist only of the property and improvements surrounding the Original Building or any part thereof, but not the Original Building itself, the Sublease shall terminate only as to the portion so taken; this Sublease shall continue for the balance of its term as to the part of the demised premises remaining after such taking and the rents to be paid by Tenant after such taking for the remaining part of the demised premises shall be reduced by an amount agreed upon by Landlord and Tenant, taking into account all factors that are reasonably relevant in the circumstances. If Landlord and Tenant are unable to agree on the amount of such reduction within thirty (30) days after the mailing by Landlord of a written notice to Tenant that the premises have been so taken, then the reduction shall be an amount as shall be determined by arbitration as provided in this Sublease."

"(ii) If the part so taken shall include all or substantially all of the Original Building, Tenant shall have the right to cancel and terminate this Sublease as of the date of such taking by giving the Landlord notice in writing of such election within thirty (30) days after the mailing by Landlord of a written notice to Tenant that the premises have been so taken and the Basic Rent, Additional Rent, and Supplemental Rent and all of the sums and charges in this Sublease provided to be paid by Tenant shall be apportioned and paid to the date of such termination.

If Tenant shall not elect to terminate, this Sublease shall continue for the balance of its term as to the part of the demised premises remaining with no adjustment in rents payable hereunder; provided, that if the taking shall render the Improvement unusable by Tenant for the purposes set forth in Article 5 hereof, the Supplemental Rent shall abate."

(c) by changing and amending subpart (d) to read as follows:

"(d) Restoration. If less than the whole or less than all or substantially all of the Original Building shall be taken in such proceedings, and Tenant shall not have elected to terminate this Sublease if permitted by the terms hereof, Landlord shall, with reasonable dispatch, repair the remaining portion of such structure or structures so as to restore it or them complete, but Landlord shall not be obligated to extend any part of such structure beyond any boundary of the real property described on Exhibit "A" to this Sublease or to restore any structure in violation of any applicable zoning ordinances or regulations or other laws; Landlord shall not be obligated to expend on any structure more than the sum allowed to Landlord in such proceeding for damage to the structure, less all expenses incurred by Landlord in such proceeding; nor shall there be any abatement of any rent due hereunder during such restoration; provided, that if the expense of such restoration would be greater than the sum allowed to Landlord, less such expenses in the condemnation proceeding, then Landlord shall have an option, for a period of thirty (30) days after such partial taking, within which to decide whether to make the restoration or terminate this Sublease. If, within such thirty-day period, Landlord shall give written notice to Tenant of termination, this Sublease and the term hereof shall terminate and expire on the last day of the calendar month following the month in which such notice shall be given and the Basic Rent, Additional Rent, Supplemental Rent, and other sums or charges in this Sublease provided to be paid by Tenant shall be paid to the date of such termination; provided, that if Tenant shall agree in writing, within twenty (20) days after receiving any such notice of termination from Landlord, to pay the difference by which the cost of such restoration exceeds the sum allowed to Landlord in such condemnation proceeding, less such expenses, then Landlord's notice of termination and right to terminate hereunder shall cease and Landlord shall make such such restoration as herein before required."

(d) by changing and amending subpart (e) to read as follows:

"(e) Substantially all of the Premises or Original Building. For the purposes of this Article, substantially all of the demised premises or of the Original Building shall be deemed to be taken if the portion of the demised premises or Original Building not so taken does not constitute, or cannot be repaired or reconstructed so as to constitute, a complete plot and structures or, in the case of the Original Building, so as to constitute a complete structure, useable by Tenant as an entity for the proper conduct of its business as such business is described in Article 5. In the event of any dispute between Landlord and Tenant as to whether "substantially all" of the demised premises or of the Original Building are taken, such dispute shall be

submitted to and determined by arbitration as provided in this Sublease."

(e) by changing and amending subpart (f) to read as follows:

"(f) Rents During Arbitration. The rents hereunder shall not abate during any arbitration proceeding or pending any arbitration award pursuant to this Article, but an adjustment in such rents, including a retroactive adjustment for any period during which Tenant may have been deprived of the use of either the Improvement or the Original Building, or any part of either, shall be made as soon as the exact amount thereof payable shall have been determined by the arbitration award."

12. Article 16 (Default) is hereby amended by changing and amending subpart (a)(i) thereof to read as follows:

"(i) Rent Default. Tenant shall fail to pay installment of any of the rents due hereunder on the date that any thereof is due and such failure shall continue for a period of ten (10) days after the giving of notice by Landlord of written demand for such payment; provided, however, that three (3) or more successive failures to pay any such rent within ten (10) days of the due date thereof shall constitute an event of default without the necessity of Landlord making any written demand;"

13. Article 19 (Subordination and Attornment) is hereby amended by changing and amending subparagraph (b) thereof to read as follows:

"(b) Nondisturbance. So long as Tenant is not in default in the payment of any rents due hereunder or in the performance of any of the terms of this Sublease, the Tenant's possession of the demised premises and the Tenant's rights and privileges under the Sublease or any renewal thereof shall not be diminished or interfered with by the mortgagee."

14. Article 21 (Assignment and Subleasing) is hereby amended by changing the word "Foster" to "Tenant" and the word "American" to "Landlord" as the same appear in said Article.

15. (a) The heading of Article 22 is changed to read: SERVICE AGREEMENT AND SUBLEASE TERMINATION.

(b) The first and second paragraphs of Article 22 (Automatic Renewal) are hereby deleted.

16. Article 23 is hereby amended by adding, "Supplemental Rent," after the words, "Additional Rent," in the second line of said Article.

17. Article 31 (Notices) is hereby amended by changing the address of Samuel W. Oliver, Jr., Esq. to read as follows:

Samuel W. Oliver, Jr., Esq.
Burr & Forman LLP
420 North 20th Street, Suite 3100 (35203)
P.O. Box 830719
Birmingham, Alabama 35283-0719

and by changing and amending the last paragraph of Article 31 to read as follows:

"All notices shall be deemed to be given when actually received by or for the intended recipient at such recipient's address."

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 Delaware Corporation

By: /s/Lee B. Foster
Its: President