

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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, 2002

Commission File Number 0-10436

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

Pennsylvania 25-13247733
(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 shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Class -----	Outstanding at April 30, 2002 -----
Common Stock, Par Value \$.01	9,495,238 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)

	March 31, 2002 (Unaudited)	December 31, 2001
ASSETS		
Current Assets:		
Cash and cash equivalents	\$2,846	\$4,222
Accounts and notes receivable:		
Trade	45,830	52,730
Other	180	334

Inventories	46,010	53,064
Current deferred tax assets	41,838	43,444
Other current assets	1,491	1,491
Property held for resale	1,163	814
Property held for resale	1,333	1,333

Total Current Assets	94,681	104,368

Property, Plant & Equipment - At Cost	67,588	64,465
Less Accumulated Depreciation	(31,702)	(30,514)

	35,886	33,951

Other Assets:		
Goodwill	5,281	5,131
Other intangibles - net	1,712	1,324
Investments	11,463	11,104
Deferred tax assets	1,062	1,184
Other assets	2,966	2,980

Total Other Assets	22,484	21,723

TOTAL ASSETS	\$153,051	\$160,042
=====		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt	\$782	\$809
Short-term borrowings	-	5,000
Accounts payable - trade	28,168	29,290
Accrued payroll and employee benefits	2,430	2,546
Current deferred tax liabilities	1,201	1,201
Other accrued liabilities	2,939	3,511

Total Current Liabilities	35,520	42,357

Long-Term Borrowings	30,000	30,000

Other Long-Term Debt	2,998	2,758

Deferred Tax Liabilities	4,968	4,968

Other Long-Term Liabilites	2,507	2,814

STOCKHOLDERS' EQUITY:		
Common stock	102	102
Paid-in capital	35,208	35,233
Retained earnings	46,343	46,632
Treasury stock	(3,846)	(3,926)
Accumulated other comprehensive loss	(749)	(896)

Total Stockholders' Equity	77,058	77,145

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$153,051	\$160,042
=====		

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 March 31,	
	2002	2001
	(Unaudited)	
Net Sales	\$63,173	\$56,090
Cost of Goods Sold	56,378	50,750
Gross Profit	6,795	5,340
Selling and Administrative Expenses	6,690	7,755
Interest Expense	674	961
Other Income	(280)	(214)
	7,084	8,502
Loss Before Income Taxes	(289)	(3,162)
Income Tax Benefit	-	(1,297)
Net Loss	(\$289)	(\$1,865)
Basic & Diluted Loss Per Share	(\$0.03)	(\$0.20)

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,	
	2002	2001
(Unaudited)		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	(\$289)	(\$1,865)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,285	1,570
Loss on sale of property, plant and equipment	31	15
Change in operating assets and liabilities:		
Accounts receivable	7,029	7,760
Inventories	2,365	4,710
Other current assets	(349)	(139)
Other noncurrent assets	(345)	451
Accounts payable - trade	(1,317)	(6,704)
Accrued payroll and employee benefits	(116)	(569)
Other current liabilities	(572)	(2,063)
Other liabilities	(11)	(13)
Net Cash Provided by Operating Activities	7,711	3,153
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property, plant and equipment	163	34
Capital expenditures on property, plant and equipment	(1,684)	(690)
Acquisition of business	(2,214)	-
Net Cash Used by Investing Activities	(3,735)	(656)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of revolving credit agreement borrowings	(5,000)	(1,000)
Exercise of stock options and stock awards	55	95
Treasury stock acquisitions	-	(75)
Repayment of long-term debt	(405)	(238)
Net Cash Used by Financing Activities	(5,350)	(1,218)
Effect of exchange rate on cash	(2)	(42)
Net (Decrease) Increase in Cash and Cash Equivalents	(1,376)	1,237
Cash and Cash Equivalents at Beginning of Period	4,222	-
Cash and Cash Equivalents at End of Period	\$2,846	\$1,237
Supplemental Disclosure of Cash Flow Information:		
Interest Paid	\$800	\$1,230
Income Taxes Paid	\$314	\$358

During 2002 and 2001, the Company financed certain capital expenditures totaling \$618,000 and \$98,000, respectively, through the execution 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. The results of operations for these interim periods are not necessarily indicative of the results that may be expected for the year ended December 31, 2002. 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, 2001.

2. ACCOUNTING PRINCIPLES

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141, "Business Combinations" (SFAS 141) and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). These statements change the accounting for business combinations, goodwill, and intangible assets.

SFAS 141 eliminates the pooling-of-interests method of accounting for business combinations except for qualifying business combinations that were initiated prior to July 1, 2001. SFAS 141 supersedes Accounting Principles Board Opinion No. 16 (APB 16): however, certain purchase accounting guidance in APB 16, as well as certain of its amendments and interpretations, have been carried forward to SFAS 141. SFAS 141 changes the criteria to recognize intangible assets separately from goodwill. The requirements of SFAS 141 are effective for any business combination accounted for by the purchase method that is completed after June 30, 2001.

The Company adopted the non-amortization provisions of SFAS 142 on January 1, 2002, which resulted in a \$0.1 million decrease to the first quarter's net loss and is expected to increase full-year net income by approximately \$0.4 million. The Company has approximately \$5.1 million of goodwill subject to the impairment testing provisions of SFAS 142. The expected impairment charge, while not yet quantified, will be retroactively recorded to the required date of adoption, January 1, 2002. Management anticipates this charge could have a material impact on its consolidated financial statements.

The following table provides comparative earnings and earnings per share had the non-amortization provisions of SFAS 142 been adopted for all periods presented:

(In thousands, except per share amounts)	Three Months Ended March 31,	
-----	2002	2001
Reported net loss	(\$289)	(\$1,865)
Amortization of goodwill, net of tax	-	103
-----	-----	-----
Adjusted net loss	(\$289)	(\$1,762)
=====	=====	=====
Basic and diluted loss per share:		
Reported net loss	(\$0.03)	(\$0.20)
Amortization of goodwill, net of tax	-	0.01
-----	-----	-----
Adjusted basic and diluted loss per share	(\$0.03)	(\$0.19)
=====	=====	=====

As of March 31, 2002, the Company had \$1.7 million of intangible assets that will continue to be amortized over their remaining useful lives ranging from 60 to 120 months. The Company had no indefinite-lived intangible assets.

In June 2001, the FASB issued Statement of Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (SFAS 143), effective for fiscal years beginning after June 15, 2002. SFAS 143 provides accounting requirements for retirement obligations associated with tangible long-lived assets. The obligations affected are those for which there is a legal obligation to settle as a result of existing or enacted law. The Company does not believe this standard will have an impact on its consolidated financial statements.

In August 2001 the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144), effective for fiscal years beginning after December 31, 2001. This statement supersedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS 121), and provides a single accounting model for long-lived assets to be disposed of. On January 1, 2002, the Company adopted SFAS 144 and the adoption did not have a material impact on the Company's consolidated financial statements.

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, 2002 and December 31, 2001 have been reduced by an allowance for doubtful accounts of (\$854,000) and (\$812,000), respectively. Bad debt expense was \$37,000 and \$82,000 for the three-month periods ended March 31, 2002 and 2001, respectively.

4. INVENTORIES

Inventories of the Company at March 31, 2002 and December 31, 2001 are summarized as follows in thousands:

	March 31, 2002	December 31, 2001

Finished goods	\$31,307	\$34,070
Work-in-process	7,505	5,551
Raw materials	4,959	5,756

Total inventories at current costs	43,771	45,377
(Less):		
Current costs over LIFO stated values	(1,333)	(1,333)
Inventory valuation reserve	(600)	(600)

	\$41,838	\$43,444
=====		

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. BORROWINGS

On December 31, 2001, the Company's \$64,025,000 maximum borrowing capacity under the revolving credit agreement was reduced to \$63,000,000 in accordance with the original terms and conditions of the 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 (LIBOR). 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 prime, to prime plus 0.25%, the CD rate plus 0.575% to 1.8%, and the LIBOR rate plus 0.575% to 1.8%. Borrowings under the agreement, which expires July 1, 2003, are secured by eligible accounts receivable, inventory, and the pledge of the Company-held DM&E Railroad 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 March 31, 2002, the Company was in compliance with all of the agreement's covenants.

6. NET LOSS PER COMMON SHARE

The Company computes basic and diluted earnings per share in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share" (SFAS 128). SFAS 128 requires the Company to report both basic earnings per share, which is based on the weighted average number of common shares outstanding, and diluted earnings per share, which is based on the weighted average number of common shares outstanding and all dilutive potential common shares outstanding. Since the Company incurred losses applicable to common stockholders for all periods presented, the inclusion of dilutive securities in the calculation of weighted average common shares is anti-dilutive and therefore, there is no difference between basic and diluted earnings per share.

7. 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 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 that 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, 2002, the Company had outstanding letters of credit and bankers acceptance of approximately \$3,532,000.

8. BUSINESS SEGMENTS

The 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. The following tables illustrate revenues and profits/(losses) of the Company by segment:

Three Months Ended
March 31, 2002

(in thousands)	Net Sales	Segment Profit/(Loss)
Rail products	\$29,955	(\$734)
Construction products	30,034	107
Tubular products	3,184	145
Total	\$63,173	(\$482)

Three Months Ended
March 31, 2001

(in thousands)	Net Sales	Reported Segment Profit/(Loss)	Goodwill Amortization	Adjusted Segment Profit/(Loss)
Rail products	\$26,909	(\$3,000)	54	(2,946)
Construction products	24,004	(607)	56	(551)
Tubular products	5,177	514	-	514
Total	\$56,090	(\$3,093)	110	(2,983)

In connection with the adoption of SFAS 142, in the first quarter of 2002, the Company adjusted the reporting of its segment results to exclude amortization of goodwill from its operating segments for the period presented prior to the date of adoption.

Segment profits, as shown above, include internal cost of capital charges for assets used in the segment at a rate of, generally, 1% per month.

The following table provides a reconciliation of reportable net profit/(loss) to the Company's consolidated total:

(in thousands)	Three Months Ended March 31,	
	2002	2001
Net loss for reportable segments	(\$482)	(\$3,093)
Goodwill amortization for reportable segments	-	\$110
Adjusted net loss for reportable segments	(\$482)	(\$2,983)
Cost of capital for reportable segments	2,749	3,227
Interest expense	(674)	(961)
Other income	280	214
Unallocated goodwill amortization	-	28
Corporate expense and other unallocated charges	(2,162)	(2,549)
Adjusted net loss before income taxes	(\$289)	(\$3,024)

The Company's emphasis on improving working capital utilization has resulted in a reduction to inventory and accounts receivable for the Rail segment of approximately \$6,000,000, from December 31, 2001. However, the Construction segment's net assets increased approximately \$6,000,000 from December 31, 2002. This increase was primarily due to the acquisition of net assets from the Greulich Bridge Products Division of Harsco Corporation (See Other Matters section of Management's Discussion and Analysis of Financial Condition & Results of Operations), and an increase in expenditures for plant equipment and inventory by the Company's Buildings division.

10. COMPREHENSIVE LOSS

Comprehensive loss represents net loss plus certain stockholders' equity changes not reflected in the Condensed Consolidated Statements of Income. The components of comprehensive loss, net of tax, were as follows:

(in thousands)	Three Months Ended	
	2002	2001
	March 31,	
	2002	2001
-----	-----	-----
Net loss	(\$289)	(\$1,865)
Cumulative transition adjustment of a change in accounting principle (SFAS No. 133)	-	(48)
Unrealized derivative gains (losses) on cash flow hedges (SFAS No. 133)	177	(112)
Foreign currency translation losses	(30)	(29)
-----	-----	-----
Comprehensive loss	(\$142)	(\$2,054)
=====	=====	=====

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

Three Months Ended
March 31,

	2002	2001
(Dollars in thousands)		
Net Sales:		
Rail Products	\$29,955	\$26,909
Construction Products	30,034	24,004
Tubular Products	3,184	5,177
Total Net Sales	\$63,173	\$56,090
Gross Profit:		
Rail Products	\$2,852	\$1,350
Construction Products	3,647	3,082
Tubular Products	551	1,235
Other	(255)	(327)
Total Gross Profit	6,795	5,340
Expenses:		
Selling and administrative expenses	6,690	7,755
Interest expense	674	961
Other income - net	(280)	(214)
Total Expenses	7,084	8,502
Loss Before Income Taxes	(289)	(3,162)
Income Tax Benefit	-	(1,297)
Net Loss	(\$289)	(\$1,865)
Gross Profit %:		
Rail Products	9.5%	5.0%
Construction Products	12.1%	12.8%
Tubular Products	17.3%	23.9%
Total Gross Profit	10.8%	9.5%

First Quarter 2002 Results of Operations

The Company recorded a net loss for the first quarter of 2002 of \$0.3 million or \$0.03 per share on net sales of \$63.2 million. This compares to a net loss of \$1.9 million or \$0.20 per share on net sales of \$56.1 million, for the first quarter of 2001. Results for the first quarter of 2002 do not include the transitional goodwill impairment charges that the Company expects to record as a result of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets". The Company has approximately \$5.1 million of goodwill subject to the impairment testing provisions of SFAS 142. The expected impairment charge, while not yet quantified, will be retroactively recorded to the required date of adoption, January 1, 2002. Management anticipates this charge could have a material impact on its consolidated financial statements. Results for last year's first quarter included nonrecurring pretax charges of \$1.4 million related to the Company's plan to consolidate sales and administrative functions and plant operations, and \$0.1 million of goodwill amortization.

Rail products' 2002 first quarter net sales were \$30.0 million, an 11.3% improvement over last year's first quarter net sales of \$26.9 million. This improvement was due primarily to an increase in revenue recognized for new rail project work. Construction products' net sales increased 25.1% to \$30.0 million in the first quarter of 2002, as a result of an increase in revenue recognized for sheet piling and fabricated bridge products. Tubular products' sales declined 38.5% from the same quarter of 2001 due primarily to low demand for pipe coating services as a result of a mild winter. Changes in net sales are generally the result of changes in volume rather than changes in prices.

The gross profit margin for the total Company was 10.8% in the first quarter of 2002 compared to 9.5% in the same quarter last year. The 2001 first quarter nonrecurring pretax charges discussed above reduced gross margin by 1.7 percentage points. Rail products' profit margin increased 4.5 percentage points to 9.5% from the same period last year. Excluding nonrecurring pretax charges in the first quarter of 2001, rail products' profit margin for the first quarter of 2002 increased 2.1 percentage points. Last year's first quarter was adversely affected by costs associated with the shut-down of the Company's trackwork facility in Pomeroy, OH and the relay rail group's efforts to reduce inventory, selling much of it at lower than normal margins. Construction products' margin declined 0.7 percentage points, primarily as a result of costs associated with the start-up of the Company's Hillsboro, TX facility, which produces precast concrete buildings. Tubular products' 6.6 percentage point drop in gross margin was primarily the result of low volume inefficiencies at the Birmingham, AL pipe-coating facility which resulted from the sales decline, mentioned above.

Excluding the prior year's first quarter non-recurring pretax charges of \$0.5 million and amortization expense of \$0.1 million, selling and administrative expenses declined 7.3% compared to the first quarter of 2001. This decline can be attributed to cost control measures and the elimination of the sign structure business. Other income in the first quarter of 2002 includes approximately \$0.4 million accrued dividend income on the DM&E Preferred Stock. Other income in the same period of 2001 included \$0.2 million accrued dividend income on the DM&E Preferred Stock. The decline in interest expense resulted from the reduction of debt. The Company expects its effective tax rate to increase significantly in 2002 due to continued losses at its Canadian signaling operations. There was no tax benefit provided for in the current period due to the Company recording a valuation allowance on its Canadian net losses. The provision for income taxes was recorded at 41% in the first quarter of 2001.

Liquidity and Capital Resources

The Company generates operational cash flow from the sale of inventory and the collection of accounts receivable. During the first three months of 2002, the average turnover rate for accounts receivable improved over the same period in 2001. The average inventory turnover rate for the first three months of 2002 also improved over the average rate for the same period in 2001. Working capital at March 31, 2002 was \$59.2 million compared to \$62.0 million at December 31, 2001.

Management's emphasis on improving working capital utilization resulted in a \$13.3 million reduction in inventory and a \$3.9 million reduction in receivables since March 31, 2001. These improvements have allowed the Company to reduce debt by \$16.0 million from March 31, 2001.

The Company's Board of Directors has authorized the purchase of up to 1,500,000 shares of its Common stock at prevailing market prices. The timing and extent of purchases will depend on market conditions and options available to the Company for alternative uses of its resources. No purchases were made in the first quarter of 2002. In the first quarter of 2001, the Company purchased 25,000 shares at a cost of \$75,000. As of March 31, 2002, the Company had repurchased 973,398 shares at a cost of approximately \$5.0 million.

The Company had capital expenditures of approximately \$2.7 million in the first quarter of 2002. Capital expenditures in 2002, including the Greulich acquisition discussed in Other Matters, are expected to be approximately \$5.5 million and are anticipated to be funded by cash flow from operations and available external financing sources.

Total revolving credit agreement borrowings at March 31, 2002 were \$30.0 million, a decrease of \$5.0 million from December 31, 2001. At March 31, 2002 the Company had \$14.6 million in unused borrowing commitment. Outstanding letters of credit and bankers acceptance at March 31, 2002 were approximately \$3.5 million. The letters of credit expire annually and are subject to renewal. A bankers acceptance for \$1.3 million is payable on its May 28, 2002 maturity date. Management believes its internal and external sources of funds are adequate to meet anticipated needs.

The revolving credit agreement 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 (LIBOR). 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 prime to prime plus 0.25%, the CD rate plus 0.575% to 1.8%, and the LIBOR rate plus 0.575% to 1.8%. 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 March 31, 2002, the Company was in compliance with all of the agreement's covenants.

Dakota, Minnesota & 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 March 31, 2002, the Company's investment was comprised of, \$0.2 million of DM&E common stock, \$1.5 million of the Series B Preferred Stock and warrants, \$6.0 million of the Series C Preferred Stock and warrants, and \$0.8 million of DM&E Preferred Series C-1 Stock and warrants. In addition, the Company has a receivable for accrued dividend income on Preferred Stock of \$3.0 million. On a fully diluted basis, the Company owns approximately 16% of the DM&E's common stock.

In June 1997, the DM&E announced its plan 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 received final approval by the Surface Transportation Board (STB) in January 2002. Litigation has been initiated challenging the STB's approval of the Project.

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

- - - - -

On January 4, 2002, the Company acquired substantially all of the equipment, inventory, intellectual property, and customer backlog of the Greulich Bridge Products Division of Harsco Corporation. The purchase price of approximately \$2.2 million consisted of: equipment of \$1.0 million, inventory (net of trade payables) of \$0.5 million, intangible assets of \$0.5 million, and goodwill of \$0.2 million. These assets will be utilized in the Company's fabricated bridge products operations in the Construction products segment, and the results of operations of these assets have been included in the consolidated financial statements since the date of acquisition. The acquisition established the Company as the leading supplier of bridge decking, in the United States, and is expected to result in production efficiencies and increased business volume. The goodwill associated with this transaction is expected to be deductible for tax purposes.

Operations at the Company's Newport, KY pipe-coating facility were suspended in 1998 in response to unfavorable market conditions. In 1999, the Company recorded an impairment loss to reduce these assets to their anticipated market value. Management is currently negotiating the sale of these assets and believes that the equipment will be sold in 2002.

In 1998, the Company purchased assets, primarily comprised of intellectual property related to the business of supplying rail signaling and communication devices, for approximately \$1.7 million. To date, this operation has not generated significant revenues. The Company continues to develop and test, in the market, products associated with the acquired intellectual property. Management believes that upon market acceptance of these products, the carrying amount of the intellectual property will be recovered.

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 has an exclusive agreement with a steel mill to distribute sheet piling in North America. Although production of sheet piling commenced in the first quarter of 2001, the Company continues to have difficulty in obtaining piling on a consistent basis. The quantity acquired to date has not materially impacted results, and management does not expect this situation to improve in the second quarter of 2002.

Specialty trackwork sales of the Company's Rail segment depend primarily on one source, in which the Company maintains a 30% ownership position. At March 31, 2002 and 2001, the Company had advanced to this supplier inventory progress payments of \$5.2 million and \$6.3 million, respectively. During the first three months of 2002 and 2001, the volume of business the supplier conducted with this Company was approximately \$2.2 million and \$1.5 million, respectively. 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 for a significant portion of their business. In addition, a substantial portion of the Company's operations is 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, government 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 March 31, 2002, was approximately \$136.3 million. The following table provides the backlog by business segment:

Backlog

(In thousands)	March 31, 2002	December 31, 2001	March 31, 2001
Rail Products	\$65,353	\$64,641	\$103,461
Construction Products	67,027	59,808	58,278
Tubular Products	3,890	1,307	2,601
Total	\$136,270	\$125,756	\$164,340

The reduction in rail segment backlog from a year ago reflects the effect of CXT billings against long-term production contracts. Total billings under these contracts were \$17.5 million since April 1, 2001.

Critical Accounting Policies

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States. When more than one accounting principle, or method of its application, is generally accepted, management selects the principle or method that is appropriate in the Company's specific circumstances. Application of these accounting principles requires management to make estimates about the future resolution of existing uncertainties. As a result, actual results could differ from these estimates. In preparing these financial statements, management has made its best estimates and judgements of the amounts and disclosures included in the financial statements giving due regard to materiality. For more information regarding the Company's critical accounting policies, please see the discussion in Management Discussion & Analysis of Financial Condition and Results of Operations in Form 10-K for the year ended December 31, 2001.

Market Risk and Risk Management Policies

The Company uses derivative financial instruments to manage interest rate exposure on variable-rate debt, primarily by using interest rate collars and variable interest rate swaps. One interest rate collar agreement, which expires in March 2006, has a notional value of \$15.0 million with a maximum annual interest rate of 5.60%, and a minimum annual interest rate of 5.00%, and is based on LIBOR. The counter-party to the collar agreement has the option, on March 6, 2005, to convert the \$15.0 million note to a one-year fixed-rate instrument with interest payable at an annual rate of 5.49%. A second interest rate collar agreement, which expires in April 2006, has a notional value of \$10.0 million with a maximum annual interest rate of 5.14%, and a minimum annual interest rate of 4.97%, and is based on LIBOR. The counter-party to the collar agreement has the option, on April 18, 2004, to convert the \$10.0 million note to a two-year fixed-rate instrument with the interest payable at an annual rate of 5.48%. The interest rate swap agreement, which expires in December 2004, has a notional value of \$3.0 million at March 31, 2002 and is designed to fix the total interest rate at 7.42%. The Company is obligated to pay additional interest on the swap if LIBOR exceeds 7.249%.

The Company is not subject to significant exposure to change in foreign currency exchange rates. The Company does, however, hedge the cash flows of operations of its Canadian subsidiary. The Company manages its exposures to changes in foreign currency exchange rates on firm sales and purchase commitments by entering into foreign currency forward contracts. The Company's risk management objective is to reduce its exposure to the effects of changes in exchange rates on sales revenue over the duration of the transaction. At March 31, 2002, the Company had outstanding foreign currency forward contracts to purchase \$1.1 million Canadian for approximately \$0.7 million US.

During the three months ended March 31, 2002 and 2001, unrealized net gains (losses) on derivative instruments of approximately \$177,000 and (\$112,000), respectively, net of related tax effects, were recorded in other comprehensive loss.

The Company may enter into additional swaps or other financial instruments to set all or a portion of its borrowings at fixed rates.

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 assessment 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 government approvals for the Project in a timely fashion, the DM&E's ability to continue to obtain interim funding to finance the project through the approval process, the expense of environmental mitigation measures required by the Surface Transportation Board, an inability to obtain financing for the Project, competitor's response to the Project, market demand for coal or electricity and changes in environmental 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), as well as oral statements made from time to time by representatives of the Company. Additional delays in a Virginia steel mill's production of steel sheet piling would, for example, have an adverse effect on the Company's performance. The estimate for nonrecurring charges through 2001 are subject to change as the Company further develops its plans. 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.

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 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 Amendment, dated as of May 14, 1998 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 4B 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 Buildings 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 Buildings 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

Buildings Associates, filed as Exhibit 10.16.2 to Form 10-Q for the quarter ended June 30, 1997.

- *10.17 Lease between Registrant and the City of Hillsboro for property located in Hill County, TX, dated February 22, 2002.
- 10.19 Lease between Registrant and American Cast Iron Pipe Company for pipe-coating facility in Birmingham, AL 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 Registrant and American Cast Iron Pipe Company for pipe coating facility in Birmingham, AL, dated November 15, 2000, and filed as Exhibit 10.19.2 to Form 10-K for the year ended December 31, 2000.
- 10.20 Asset Purchase Agreement, dated June 5, 1998 by and among the Registrant and Northwest Pipe Company, filed as Exhibit 10.20 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, as amended and restated February 2, 2001, filed as Exhibit 10.34 to Form 10-K for the year ended December 31, 2000. **
- 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 and restated, filed as Exhibit 10.46 to form 10-K for the year ended December 31, 2000. **
- *10.50 L. B. Foster Company 2002 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.

** Identifies management contract or compensatory plan or arrangement required to be filed as an Exhibit.

b) Reports on Form 8-K

The Registrant filed no reports on Form 8-K during the three-month period ended March 31, 2002.

SIGNATURE

Pursuant to the requirements of the Securities and 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 13, 2002

By /s/Stan L. Hasselbusch

Stan L. Hasselbusch

President and

Chief Executive Officer

(Duly Authorized Officer of Registrant)

LEASE AGREEMENT

THE STATE OF TEXAS
COUNTY OF HILL

This agreement of a lease made this 22nd day of February 2002 by and between the CITY OF HILLSBORO, TEXAS, hereinafter referred to as "Lessor," and L. B. FOSTER CORPORATION, hereinafter referred to as Lessee. In contemplation of the mutual consideration set forth herein the parties hereby agree as follows:

Lessor does by these presents lease and demise unto Lessee the real property described in "Exhibit A," attached hereto and incorporated by reference herein including all improvements situated thereon, for a term of ten (10) years, commencing upon the date of this lease, unless sooner terminated by virtue of the terms and provisions herein contained. This lease is made upon and subject to the following conditions and covenants, to-wit:

I. RENTAL

Rental for the above designated property, which Lessee agrees to pay to Lessor is as follows: The total lease amount is Seven Hundred Thousand and No/100 Dollars (\$700,000.00). Rental shall be payable in one hundred nineteen (119) equal monthly installments of Five Thousand Eight Hundred Thirty-Three Dollars and 33/100 Dollars (\$5833.33) each and one (1) final payment of Five Thousand Eight Hundred Thirty-Three Dollars and 73/100 Dollars (\$5833.73) (1). The payments shall commence on the first day of the month after the date of this lease, continuing in a like amount on the first day of each month thereafter throughout the term of the lease. Lease payments received 10 calendar days or more past the due date will be assessed a late charge/fee of five percent (5%) of the payment amount. Payments will be made to the City of Hillsboro, Texas at 214 E. Elm Street, P.O. Box 568 Hillsboro, Texas, 76645, or such address as may be designated from time to time by the Lessor.

II. OCCUPANCY

Lessor warrants and represents to Lessee that it has complete and lawful right to lease the premises, and that upon paying the rents and performing the other terms and conditions, hereof, Lessee shall have quiet and peaceful possession of the premises, subject to Lessee's compliance with the provisions of this Lease Agreement.

III. CARE AND MAINTENANCE OF PREMISES

Lessee shall promptly make all repairs and perform all maintenance on the building and parking lot, and shall keep all areas of the property, including the parking lot, in proper condition, repair, and maintenance. Lessee agrees to pay all costs associated with the care and maintenance of

the premises. Failure to adequately maintain the premises shall be deemed a default of the Lease Agreement and shall entitle the Lessor to all remedies stated herein.

IV. ALTERATIONS

Upon written approval of the Lessor, Lessee shall have the right, at its own expense, to make alterations and improvements and to install such fixtures, machinery, and equipment in and about the premises, and to post or attach such signs to the interior and exterior of said premises as Lessee may deem desirable. All alterations, improvements, signs, fixtures (including lights), and machinery which have been or may be installed, placed, and attached in or about the premises by Lessee shall always remain the property of Lessee and upon termination by expiration or otherwise of this lease, or of any renewal thereof, or at any prior time or times, Lessee will, as it desires to do so, be permitted to remove within a reasonable time all or any of said alterations, improvements, signs, fixtures, machinery and equipment so installed, placed, or attached; provided, however, that any damage caused to the premises by reason of such removal shall be repaired by Lessee, and the Lessee shall restore the premises to their original condition.

V. UTILITIES

Lessee hereby agrees to pay for all electricity, gas, water, and other utilities used by Lessee upon the premises.

VI. REAL PROPERTY TAXES AND PERSONAL PROPERTY TAXES

In contemplation of the fact that the lessor is a governmental entity and the real property may be tax exempt, the lessee herein agrees to provide payment in

lieu of taxes to all taxing entities for the real property as follows:

I. 50% of the assessable taxes based on the appraised value of the property for the City of Hillsboro and Hill County.

II. 100% of the assessable taxes based on the appraised value of the property for all other taxing entities.

During the term of this agreement, Lessee shall make payment in lieu of taxes by January 31 of each year, payable directly to the Lessor at the address in Section XVI of the agreement.

Lessee agrees to pay when due all taxes and assessments of every nature, kind, and description levied and assessed by the taxing authorities against personal properties, betterments, and improvements contained in the building as the same may become due from time to time during the term of this lease. Lessee hereby certifies that all taxes on such property are current (paid in full as of the date hereof).

VII. INSURANCE

The Lessee shall, at Lessee's own expense, maintain insurance coverage as set forth below:

General Liability Insurance:

Bodily Injury	\$1,000,000 per occurrence
Property damage	\$1,000,000 per occurrence
Aggregate	\$2,000,000
products/completed operations	\$2,000,000 aggregate

Environmental Liability Coverage \$1,000,000

Workers Compensation Statutory Limits

Standard form fire extended coverage property insurance insuring in an amount of at least \$1,000,000 against the perils of fire, extended coverage, vandalism, malicious mischief, special extended coverage ("all risk").

The Lessee shall not occupy the premises under this Lease Agreement until the Lessee has obtained all the insurance required under this Lease Agreement and such insurance has been approved by the Lessor. All required policies shall name Lessor as an additional insured, except the Worker's Compensation Insurance (as applicable). As proof of the insurance coverage, the Lessee shall furnish to Lessor valid certificates of insurance of the types and limits required herein, prior to occupying the premises. In addition, the required insurance coverage shall contain a provision that coverage afforded under the policies will not be materially changed or canceled without provision of thirty (30) days written notice to Lessor. The insurance requirements shall remain in effect throughout the term of this Lease Agreement.

Concerning insurance to be furnished by the Lessee, it is a condition precedent to the acceptability thereof that:

1. Any policy submitted shall not be subject to limitations, conditions or restrictions deemed inconsistent with the intent of the requirements to be fulfilled by the Lessee;
2. All policies are to be written through companies duly approved to transact that class of insurance in the State of Texas.

The Lessee agrees to the following:

1. The Lessee hereby waives subrogation rights for loss or damage to the extent same are covered by insurance. Insurers shall not have the right to recovery or subrogation against Lessor, it being the intention that the insurance policies shall protect all parties to the Lease Agreement and be primary coverage for all losses covered by the policies;

2. Companies issuing the insurance policies and the Lessee shall have no recourse against Lessor for payment of any premiums, or assessments for any deductible, as all such premiums are the sole responsibility and risk of the Lessee.

3. Approval, disapproval or failure to act by Lessor regarding any insurance supplied by the Lessee shall not relieve Lessee of full responsibility or liability, if any, for damages and accidents as set forth in the Lease Agreement. Neither shall the insolvency or denial of liability by the insurance company exonerate the Lessee from liability.

4. Any of the insurance policies required under this section may be written in combination with any of the others, where legally permitted, but none of the specified limits may be lowered thereby.

VIII. LIABILITY AND INDEMNIFICATION

The Lessee hereby accepts responsibility and liability for the Lessee's employees, agents, sub-contractors, guests or other's use or occupation of the premises contemplated by this Lease Agreement. The Lessee shall be solely and completely responsible for the use and/or occupation of the leased premises. The Lessee herein agrees to comply with the requirements of all applicable laws, rules and regulations and shall exonerate, indemnify and hold the Lessor harmless from any and all liability or damages resulting from failure to do so. In addition, the Lessee agrees to keep, save and hold the Lessor harmless from any and all actions, liabilities, damages, judgments, costs and expenses including reasonable attorneys' fees, in case an action is filed or does in any way accrue against the Lessor, its officials, officers, and employees in consequence of this Lease Agreement or for any act, negligence or omission of the Lessee in the use or occupation of the premises. It is specifically understood and agreed by the Lessee that such indemnity is indemnity by the Lessee to indemnify and protect the Lessor from liability, claims, suits, losses, damages or causes of action due to the Lessee's use of the premises under this Lease Agreement. Lessor shall not be held responsible for and shall be expressly held harmless by Lessee from any and all liability resulting from any injury, loss, or damage to any person or property occurring in or about the lease premises, whether the loss, injury, or damage be to personal property of the Lessee or any other person, except in instances where such loss, injury, or damage is caused by or through the negligence of Lessor, its agents and employees.

IX. HAZARDOUS MATERIALS

Lessee shall defend, indemnify, and hold harmless Lessor from any and all liabilities (including strict liability), actions, demands, penalties, losses, costs, or expenses (including, without limitation, attorneys' fees and expenses and remediation costs), suits, costs of any settlement or judgment and claims of any and every kind whatsoever which may now or in the future be paid, incurred, or suffered by, or asserted against Lessor by any person or entity or governmental agency for, with respect to, or as a direct or indirect result of, the presence on or under, or the escape,

seepage, leakage, spillage, discharge, emission, or release from the lease premises of any hazardous materials or any hazardous materials contamination, or arise out of or result from the environmental condition of the lease premises or the applicability of any governmental requirements relating to hazardous materials (including, without limitation, CERCLA or any federal, state, or local so-called "Superfund" or "Superlien" laws, statute, law, ordinance, code, rule, regulation, order, or decree), caused by or within the control of Lessee. The representations, covenants, warranties, and indemnification contained in this paragraph shall survive the term of this lease.

X. PARTIAL OR TOTAL DESTRUCTION OF PREMISES

In the event the premises are hereinafter partially damaged or destroyed or rendered partially unfit for their accustomed use by fire or other casualty insured by fire and extended coverage insurance, then Lessor shall, with insurance proceeds, promptly repair said premises and restore the same to substantially the same condition in which the premises were immediately prior to the occurrence of such damage, but in no event shall Lessor be required to expend any funds other than the insurance proceeds. From and after the date of damage, the rental required to be paid by Lessee to Lessor shall be reduced to that portion of the annual rent which the value of the part of the lease premises not damaged bears to the value of the total premises, such value to be determined as of the date of the damage. The lease term shall be extended to such times as to compensate for the rent abatement.

Lessee shall provide to Lessor a Certificate of Insurance with Lessor as loss payee and with instruction that Lessor will be notified if Lessee fails to pay insurance premiums in a timely manner.

XI. CONDEMNATION

Should the whole or any part of the lease premises be condemned or taken by a competent authority for any public or quasi-public use or purpose, each party shall be entitled to retain, as its own property, any award payable to it. In the event that a single award is made on account of the condemnation, each party will be entitled to take such proportion of said award as may be fair and reasonable. If the whole of the lease premises shall be so condemned or taken, Lessor shall not be liable to Lessee except and as its rights are preserved in this paragraph. In determining such proportion to be divided, the parties will take into account all improvements made by Lessee and the transfer of the real estate to Lessor.

XII. TERMINATION OF LEASE AND DEFAULTS OF LESSEE

1) This lease shall terminate upon expiration of the lease term or if this lease expressly and in writing provides for any option or options, and if any such option is exercised by Lessee, then this lease will terminate at the expiration of the option term or terms. Upon default in the payment of rental herein or upon any other default by Lessee in accordance with the terms and provisions of this lease, this lease may at the option of Lessor be canceled and forfeited. Provided, however, before any such cancellation and forfeiture except as provided in XII(2)

below, Lessor shall give Lessee a written notice specifying the default, or defaults, and stating that this lease will be canceled and forfeited thirty (30) days after the giving of such notice, unless such default, or defaults, are remedied within such grace period. Lessee shall have the right to exercise the option to purchase under XV below during the thirty (30) day grace period.

2) In the event Lessee is adjudicated bankrupt or in the event of a judicial sale or other transfer of Lessee's leasehold interest by reason of any bankruptcy or insolvency proceedings or any other operation of law, and such bankruptcy, judicial sale, or transfer has not been vacated or set aside within thirty (30) days from giving of notice thereof by Lessor to Lessee, then and in any such event, Lessor may, at its option, immediately terminate this lease, re-enter the premises, upon giving thirty (30) days written notice by Lessor to Lessee, all to the extent permitted by applicable law.

3) In (1) and (2) above, waiver as to any default shall not constitute a waiver of any subsequent default or defaults.

4) Acceptance of keys, advertising, and re-renting by Lessor upon the Lessee's default shall be construed only as an effort to mitigate damages by the Lessor, and not as an agreement to terminate this lease.

XIII. RIGHTS OF EITHER PARTY TO MAKE GOOD ANY DEFAULT OF THE OTHER

If default shall be made by either party in the performance of, or compliance with, any of the terms, covenants, or conditions of this lease, and such default shall have continued for thirty (30) days after written notice thereof from one party to the other, the party aggrieved, in addition to all other remedies now or hereafter provided by law, may, but need not, perform such term, covenant, or condition, or make good such default and any amount advanced shall be repaid forthwith on demand within ten (10) days from the date of said advance.

XIV. ASSIGNABILITY

The Lessee shall not assign, mortgage, or encumber this lease, or sublet or permit the lease premises or any part thereof to be used by others, without the prior written consent of Lessor in each instance. If this lease is assigned, or if the lease premises or any part thereof is sublet or occupied by anybody other than the Lessee and affiliated companies, the Lessor may, after default by the Lessee, collect rent from the assignee, subtenant, or occupant and apply the net amount collected to the rent herein reserved. No such assignment, subletting occupancy, or collection shall be deemed a waiver of this covenant, nor the acceptance of the assignee, subtenant, or occupant as a Lessee, or a release of the Lessee from the further performance by the Lessee of the covenants in this lease. The consent by Lessor to an assignment or subletting shall not be construed to relieve the Lessee from obtaining the consent in writing of the Lessor to any further assignment or subletting. Lessee agrees to forward all payments received from subleasee, if one is approved, to Lessor during the term hereof. Notwithstanding the foregoing, Lessee, any merge or consolidate with another entity so long

as the surviving entity is bound to the terms of this Lease Agreement.

XV. OPTION TO PURCHASE

At any time after the expiration of five (5) years from the date of this lease, during the lease term or any extension thereof, Lessee is given the option to purchase the leased premises together with all improvements thereon for the unpaid principal lease amount. The Lessee shall exercise this option to purchase by giving to Lessor written notice of its intention to purchase. If this option to purchase is exercised, Lessor shall deliver to Lessee within thirty (30) days after having received such notice a Special Warranty Deed and Lessee shall deliver to Lessor, on the date that the deed is delivered, a cashier's check for the unpaid principal balance of the lease payments. If Lessee has not previously exercised its option to purchase, Lessee's payment of the last payment owed hereunder shall be lessees' exercise of said option. Lessees' obligations to make the rental payments on the lease shall be suspended after Lessee notifies Lessor of its intention to exercise the option to purchase.

XVI. NOTICES

Any notice or communication required or permitted hereunder or under this Lease Agreement shall be in writing, sent certified mail return receipt requested and addressed as follows:

To Lessor: City Manager
 City of Hillsboro
 214 E. Elm
 P.O. Box 568
 Hillsboro, Texas 76645

To Lessee: L. B. Foster Company
 c/o David Minor
 901 N. Highway 77
 Hillsboro, Texas 76645

Either party may change the address to which notices are to be sent it by giving the other party written notice of the new address in the manner provided in this section.

XVII. RIGHTS CUMULATIVE

The various rights, powers, options, elections, and remedies of either party provided in this lease shall be construed as cumulative and not one of them is exclusive of the others, or exclusive of any rights, remedies, or priorities allowed either party by law, and shall in one way affect or impair the right of either party to pursue any other equitable or legal remedy to which either party may be entitled as long as any default remains in any way unremedied, unsatisfied, or undischarged.

XVIII. BENEFITS TO BIND AND BENEFITS OF SUCCESSORS ASSIGNS ETC.

The provisions of this lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and/or assigns.

XIX. TEXAS CAPITAL FUND REQUIREMENTS

Lessee is aware that Lessor has acquired funds from the Texas Capital Fund. Any terms or conditions contained in this lease which contradict any of the rules and regulations of Texas Capital Fund shall be void. Lessee acknowledges that Lessee is familiar with the rules and regulations of Texas Capital Fund. Any amendments to the lease agreement shall require prior written approval by the Texas Department of Economic Development. Any change in the total lease amount will result in an adjustment of the monthly lease payment and the calculation of a revised payment schedule.

XX. EQUIPMENT FINANCING

Lessor disclaims any right or interest in certain equipment, whether or not considered to be fixtures, described in Exhibit B hereto (the "Equipment"), which Equipment is subject to a Lease Agreement among GE Capital Public Finance Inc. ("GEPF"), Hillsboro Industrial Development Corporation and Lessee (the "Equipment Lease"). Lessor agrees to give GEPF and its assigns access to the Equipment and the right to store on the premises the Equipment in the event Lessee should default under the Equipment Lease for a period not to exceed 60 days from any lease termination resulting from such default. Lessor agrees to execute documents reasonably requested by Lessee in connection with the provisions of this Article XX herein.

XXI. OPEN MEETINGS ACT COMPLIANCE

This lease has been approved by the City Council of the City of Hillsboro, meeting in an open session on the 5th day of February 2002 and all provisions of the Texas Open Meetings Acts have been complied with by City of Hillsboro.

IN WITNESS WHEREOF, the parties hereunto have executed duplicate originals of this document by their proper officers duly authorized to so act and with the intent to be bound by the terms stated herein.

EXHIBIT A

TRACT 1:

FIELD NOTES for a lot, tract, or parcel of land containing 7.277 acres lying and situated in the J.E. Ross Survey A-150 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. a 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 mm 0 sac W 599.95 feet along Franklin's northeast line to a 5/8 iron rod found for corner;

THENCE: N 35 deg 54 mm 0 sec E 94.55 feet and N 50 deg 11 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 mm 0 sec E 369.45 feet to a 1/2 iron rod set for corner

THENCE: S 42 deg 37 mm 15 sec E 181.00 feet to a railroad spike found for corner; THENCE: S 21 deg 51 mm 0 sec E 118.04 feet to a railroad spike found for corner in the northwest line of said U.S. Highway 71;

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.

TRACT 2:

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 486, Page 779 of the Deed Records of Hill County, and in a Quit Claim Deed from Hillsboro Lake Park Association to Robintech, Inc. a recorded in Volume 501, Page 491 of the Deed Records of Hill County. Said land is more particularly described by metes 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: 14 21 deg 51 min 8 sec W 118.04 feet to a railroad spike found for corner;

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

THENCE: N 05 deg 52 min 0 sec W 369.45 feet (, a 5/8" iron rod found for corner ;

THENCE: N 30 deg 43 min 0 sec E 99.05 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 mm 37 sec E 321.05 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.

EXHIBIT B

SCHEDULE OF EQUIPMENT AND RENTAL PAYMENTS

Description of Equipment

The following Equipment is the subject of the Lease Agreement dated as of July 1, 2001 among GE Capital Public Finance, Inc. ("Lessor"), Hillsboro Industrial Development Corporation ("Issuer") and L. B. Foster Company ("Sublessee"):

Description of Equipment	Manufacturer or Vendor
JH35-TMI Horizontal design natural gas made up system	Bessam-Air Inc.
Spray system model TMS 0201 8-SP	Finishing Consultants
Crane running rail	Konecranes, Inc.
Crane footings	CSTC
Batch System	Standley Batch Systems, Inc.
Mi-Jack Travelift Model 650C	Mi-Jack Products
Wagner S-6 Series/33-70 (6)	Finishing Consultants
Concrete Buckets (3.5 yd)	M&B Mag Ltd.
Stud welding system-4800-model 101	Nelson Stud Welding
rebar cutter ender electric	Rod Chomper
Direct contact water heater	Ludell Manufacturing
Batch controller	Command Alkron Sales
Vault, forms and tables	Hamilton Forms
Trunnion Spreader bar	Hamilton Forms
1 Mud cart and 2 "A" frames	Gary Fjell snf P.B.
Quality Control Equipment	Hart/Latimer Associates, Inc.

The Equipment is located at the following address. Prior to the relocation of the Equipment or any portion thereof. Sublessee will provide 30 days prior written to Lessor: 901 N. Highway 77, Hillsboro, Texas

L. B. FOSTER COMPANY 2002
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 2002 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 2002, 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 2002 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 and Foster Technologies), Piling, Fabricated Products, Foster Technologies 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 2002 Management Incentive Compensation Plan, which Plan shall be in effect only with respect to the fiscal year ending December 31, 2002.

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 2002 Sales Incentive Plan, of the Corporation for the fiscal year ending December 31, 2002 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 2002 Sales Incentive Plan.

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

2.18 "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, 2002, as follows:

Grade Levels	% Of Base Compensation
Grade 6 I Sales	15.0
Grade 7 I, Sales	15.0
Grade 8 I, Sales	20.0
Grade 10 I, Sales/Management	22.0
Grade 10 P, Professional/ Management	12.5
Grade 11 I, Sales/ Management	23.0
Grade 11 P, Professional/ Management	15.0
Grade 12, Management Positions	25.0
Grade 13, Management Positions	27.0
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 or Chief Executive Officer may also be made Participants in the Plan on such terms as may be approved by the Chairman of the Board or Chief Executive Officer.

The Committee may determine performance goals for the Chief Executive Officer 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, 2002 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 with at least 25% of each Participant's Target Award being allocated to the General Pool. 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

$$\begin{array}{r} \$1,000,000 \\ \hline \$2,100,000 \end{array} \times \$832,500 = \$396,429$$

2. Product Pool

$$\begin{array}{r} \$1,100,000 \\ \hline \$2,100,000 \end{array} \times \$832,500 = \$436,071$$

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:

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

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 for purposes of calculating percentages earned under 3.5(B)(b)(i), and (b)(ii), 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 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 2002 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 2002 Operating Plan*	Pre-Tax Income Performance Percentage
75%	5%
80%	10%
85%	20%
90%	30%
95%	40%
100%	50%
110%	65%
120%	80%
130% and up	100%

* Once an Operating Unit has achieved 75% of the Operating Unit's 2002 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 2002 Operating Pre-Tax Income Plan is \$200,000 and in 2002 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. $\$50,000 / \$5,000 = 10$. Accordingly, the Operating Unit would be considered to have achieved 85% of the Operating Unit's 2002 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 2002 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 2002 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 25% 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. 25% 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 ALLOCATED TO THE PRODUCT POOL IS \$50,000 AND IS ALLOCATED TO CXT RAIL. THE ADJUSTED TARGET AWARD OF ALL PARTICIPANTS IN THE PRODUCT POOL IS \$800,000. CXT RAIL MEETS THE REQUIREMENTS OF B(I) AND B(II) AND HAS ALSO EXCEEDED ITS PLANNED PRE-TAX INCOME BY 10% AND \$500,000. MANAGER SMITH'S BONUS WOULD BE CALCULATED AS FOLLOWS:

(a) Operating Performance Percentage

$$\begin{array}{rcl} 65\% & + & 25\% & + & & = & 90\% \\ (i) & & (ii) & & & & \end{array}$$

(b) Determine Smith's Adjusted Operating Target Award

$$\$50,000 \times 90\% = \$45,000$$

(c) Determine Smith's Individual Award from the Product Pool

$$\begin{array}{r} \$ 45,000 \\ \hline \end{array} \times \$436,071 = \$ 24,529$$

\$800,000 (sum of all Adjusted Operating Target Awards)

EXAMPLE 2:

The Product Pool is \$436,071. Manager Jones' Target Award allocated to the Product Pool is \$50,000, with 50% being allocated to Geotech and 50% allocated to CXT Buildings. Geotech's Operating Unit Income is 88% of its 2002 Planned Pre-Tax Income and Geotech has achieved its planned return on investment. CXT Building's Operating Unit Income is both \$1M above and 200% of its 2002 Planned Pre-Tax Income and CXT Buildings has satisfied all requirements under 3.5B(b). 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:

$$\begin{array}{r} 100\% + 25\% \\ b(i) + b(ii) \end{array} = 125\%$$

For Geotech

$$\begin{array}{r} 20\% + 25\% \\ b(i) + b(ii) \end{array} = 45\%$$

(b) Determine Jones' Adjusted Operating Unit Target Awards

For CXT Buildings:

$$(\$50,000 \times 50\%) \times 125\% = \$31,250$$

For Geotech:

$$(\$50,000 \times 50\%) \times 45\% = \$11,250$$

(c) Determine Jones' Individual Incentive Award

For CXT Buildings:

\$31,250 X \$436,071 = \$17,034

\$800,000 (Product Pool)

For Geotech:

\$11,250 X \$436,071 = \$6,132

\$800,000

Total Individual Incentive Award \$23,166 (excluding General Pool)
Award

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% X \$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

\$31,250 X \$90,000 = \$14,062

\$200,000

(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 under each of 3(B)(b)(i), and (ii) 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.

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 or 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, 2003, 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 Chief Executive Officer, 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 Chief Executive Officer's decisions are subject to final review by the Committee if the Committee 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.