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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

(Mark One)

Annual Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2016

Or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from __________ to __________

Commission File Number 0-10436

L.B. FOSTER COMPANY

(Exact name of registrant as specified in its charter)

Pennsylvania	**25-1324733**
(State of Incorporation)	**(I.R.S. Employer Identification No.)**
415 Holiday Drive, Pittsburgh, Pennsylvania	**15220**
(Address of principal executive offices)	**(Zip Code)**

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

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

Title of Each Class	**Name of Each Exchange On Which Registered**
Common Stock, Par Value $0.01	**NASDAQ Global Select Market**
Preferred Stock Purchase Rights	**NASDAQ Global Select Market**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for shorter period that the registrant was required to submit and post such files). Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant s most recently completed second fiscal quarter was $94,386,134.

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

Class	Outstanding at February 17, 2017
Common Stock, Par Value $0.01	10,320,130 shares

Documents Incorporated by Reference:

None.

Explanatory Note

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

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

In addition, we have filed the following exhibits:

23 Consent of Independent Registered Public Accounting Firm.

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

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

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

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

ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of L.B. Foster Company and Subsidiaries

We have audited the accompanying consolidated balance sheets of L.B. Foster Company and Subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, stockholders equity and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15(a) (2). These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of L.B. Foster Company and Subsidiaries at December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), L.B. Foster Company and Subsidiaries internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 8, 2017, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Pittsburgh, Pennsylvania

March 8, 2017

L.B. FOSTER COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31,

(In thousands, except share data)

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 30,363	$ 33,312
Accounts receivable - net	66,632	78,487
Inventories - net	83,243	96,396
Prepaid income tax	14,166	1,131
Other current assets	5,200	5,148
Total current assets	199,604	214,474
Property, plant, and equipment - net	103,973	126,745
Other assets:		
Goodwill	18,932	81,752
Other intangibles - net	63,519	134,927
Deferred tax assets		226
Investments	4,031	5,321
Other assets	2,964	3,215
Total assets	$ 393,023	$ 566,660
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 37,744	$ 55,804
Deferred revenue	7,597	6,934
Accrued payroll and employee benefits	7,497	10,255
Accrued warranty	10,154	8,755
Current maturities of long-term debt	10,386	1,335
Other accrued liabilities	8,953	8,563
Total current liabilities	82,331	91,646
Long-term debt	149,179	167,419
Deferred tax liabilities	11,371	8,926
Other long-term liabilities	16,891	15,837
Stockholders equity:		
Common stock, par value $0.01, authorized 20,000,000 shares; shares issued at December 31, 2016 and December 31, 2015, 11,115,779; shares outstanding at December 31, 2016 and December 31, 2015, 10,312,625 and 10,221,006, respectively	111	111
Paid-in capital	44,098	46,681
Retained earnings	133,667	276,571

Treasury stock - at cost, common stock, shares at December 31, 2016 and December 31, 2015, 803,154 and 894,773, respectively	(19,336)	(22,591)
Accumulated other comprehensive loss	(25,289)	(17,940)
Total stockholders equity	133,251	282,832
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 393,023	$ 566,660

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

L.B. FOSTER COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

THE THREE YEARS ENDED DECEMBER 31,

(In thousands, except share data)

	2016	2015	2014
Sales of goods	$ 415,375	$ 537,214	$ 561,899
Sales of services	68,139	87,309	45,293
Total net sales	483,514	624,523	607,192
Cost of goods sold	331,437	420,169	449,964
Cost of services sold	61,721	70,701	35,637
Total cost of sales	393,158	490,870	485,601
Gross profit	90,356	133,653	121,591
Selling and administrative expenses	85,976	92,648	79,814
Amortization expense	9,575	12,245	4,695
Asset impairments	135,884	80,337	
Interest expense	6,551	4,378	512
Interest income	(228)	(206)	(530)
Equity in loss (income) of nonconsolidated investments	1,290	413	(1,282)
Other income	(1,523)	(5,585)	(678)
	237,525	184,230	82,531
(Loss) income before income taxes	(147,169)	(50,577)	39,060
Income tax (benefit) expense	(5,509)	(6,132)	13,404
Net (loss) income	$ (141,660)	$ (44,445)	$ 25,656
Basic (loss) earnings per common share	$ (13.79)	$ (4.33)	$ 2.51
Diluted (loss) earnings per common share	$ (13.79)	$ (4.33)	$ 2.48
Dividends paid per common share	$ 0.12	$ 0.16	$ 0.13

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

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L.B. FOSTER COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

THE THREE YEARS ENDED DECEMBER 31,

(In thousands)

	2016	2015	2014
Net (loss) income	$ (141,660)	$ (44,445)	$ 25,656
Other comprehensive loss, net of tax:			
Foreign currency translation adjustment	(5,896)	(6,947)	(4,863)
Unrealized loss on cash flow hedges, net of tax expense (benefit) of ($54) and ($76)	(83)	(121)	
Pension and post-retirement benefit plans benefit (expense), net of tax expense (benefit): ($491), $208, and ($1,383)	(1,671)	631	(2,631)
Reclassification of pension liability adjustments to earnings, net of tax expense of $135, $160 and $63*	301	389	185
Other comprehensive loss, net of tax	(7,349)	(6,048)	(7,309)
Comprehensive (loss) income	$ (149,009)	$ (50,493)	$ 18,347

* Reclassifications out of accumulated other comprehensive income for pension obligations are charged to selling and administrative expense.

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

L.B. FOSTER COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

THE THREE YEARS ENDED DECEMBER 31,

(In thousands)

	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	$ (141,660)	$ (44,445)	$ 25,656
Adjustments to reconcile net loss to cash provided by operating activities:			
Deferred income taxes	3,375	(14,582)	(2,914)
Depreciation	13,917	14,429	7,882
Amortization	9,575	12,245	4,695
Asset impairments	135,884	80,337	
Equity loss (income) and remeasurement gain	1,290	(167)	(1,282)
Loss on sales and disposals of property, plant, and equipment	202	(2,064)	21
Share-based compensation	1,346	1,471	3,007
Excess income tax deficiency (benefit) from share-based compensation	332	(253)	(336)
Change in operating assets and liabilities, net of acquisitions:			
Accounts receivable	11,959	31,223	15,311
Inventories	10,479	4,331	(9,872)
Other current assets	1,380	3,248	(1,004)
Prepaid income tax	(13,035)	1,134	2,530
Other noncurrent assets	59	(909)	(386)
Dividends from LB Pipe & Coupling Products, LLC		90	630
Accounts payable	(16,005)	(17,204)	16,285
Deferred revenue	984	(2,279)	591
Accrued payroll and employee benefits	(2,676)	(5,136)	2,542
Other current liabilities	1,432	(4,189)	2,732
Other liabilities	(433)	(1,108)	651
Net cash provided by operating activities	18,405	56,172	66,739
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from the sale of property, plant, and equipment	969	5,339	184
Capital expenditures on property, plant, and equipment	(7,664)	(14,913)	(17,056)
Acquisitions, net of cash acquired		(196,001)	(80,797)
Loans and capital contributions to equity method investment	(1,235)		(82)
Net cash used by investing activities	(7,930)	(205,575)	(97,751)

L.B. FOSTER COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

THE THREE YEARS ENDED DECEMBER 31,

(In thousands)

	2016	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of debt	(155,427)	(161,068)	(125)
Proceeds from debt	146,243	301,063	24,516
Proceeds from exercise of stock options and stock awards		68	131
Financing fees	(1,417)	(1,670)	(473)
Treasury stock acquisitions	(342)	(2,701)	(985)
Cash dividends on common stock paid to shareholders	(1,244)	(1,656)	(1,345)
Excess income tax (deficiency) benefit from share-based compensation	(332)	253	336
Net cash (used) provided by financing activities	(12,519)	134,289	22,055
Effect of exchange rate changes on cash and cash equivalents	(905)	(3,598)	(3,642)
Net decrease in cash and cash equivalents	(2,949)	(18,712)	(12,599)
Cash and cash equivalents at beginning of period	33,312	52,024	64,623
Cash and cash equivalents at end of period	$ 30,363	$ 33,312	$ 52,024
Supplemental disclosure of cash flow information:			
Interest paid	$ 4,855	$ 3,674	$ 362
Income taxes paid	$ 3,942	$ 7,835	$ 14,617
Capital expenditures funded through financing agreements	$	$ 288	$ 1,981

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

L.B. FOSTER COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

FOR THE THREE YEARS ENDED DECEMBER 31, 2016

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

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

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

L.B. FOSTER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Note 1.

Summary of Significant Accounting Policies

Basis of financial statement presentation

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

Cash and cash equivalents

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

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

Inventories

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

Property, plant, and equipment

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

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

loss, if any, is reflected in income.

Allowance for doubtful accounts

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

Investments

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

Goodwill and other intangible assets

Goodwill is tested annually for impairment or more often if there are indicators of impairment. The goodwill impairment test involves comparing the fair value of a reporting unit to its carrying value, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, a second step is required to measure the goodwill impairment loss. This step compares the implied fair value of the reporting unit s goodwill to the carrying amount of that goodwill. If the carrying amount of the goodwill exceeds the implied fair value of the goodwill, an impairment loss equal to the excess is recorded as a component of operations. The Company performs its annual impairment tests as of October 1st.

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

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

Environmental remediation and compliance

Environmental remediation costs are accrued when the liability is probable and costs are estimable. Environmental compliance costs, which principally include the disposal of waste generated by routine operations, are expensed as incurred. Capitalized environmental costs, when appropriate, are depreciated over their useful life. Reserves are not reduced by potential claims for recovery and are not discounted. Claims for recovery are recognized as agreements are reached with third parties or as amounts are received. Reserves are periodically reviewed throughout the year and adjusted to reflect current remediation progress, prospective estimates of required activity, and other factors that may be relevant, including changes in technology or regulations. See Note 19 Commitments and Contingent Liabilities, for

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

Earnings per share

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

Revenue recognition

The Company s revenues are comprised of product and service sales as well as products and services provided under long-term contracts. For product and service sales, the Company recognizes revenue when the following criteria have been satisfied: persuasive evidence of a sales arrangement exists; product delivery and transfer of title to the customer has occurred or services have been rendered; the price is fixed or determinable; and collectability is reasonably assured. Generally, product title passes to the customer upon shipment. In limited cases, title does not transfer and revenue is not recognized until the customer has received the products at its physical location. Revenue is recorded net of returns, allowances, customer discounts, and incentives. Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net (excluded from revenues) basis. Shipping and handling costs are included in cost of goods sold.

Revenues for products and services under long-term contracts are recognized using the percentage-of-completion method. Sales and gross profit are recognized as work is performed based upon the proportion of actual costs incurred to estimated total project costs. Sales and gross profit are adjusted prospectively for revisions in estimated total project costs and contract values. For certain products and services, the percentage of completion is based upon actual labor costs as a percentage of estimated total labor costs. At the time a loss contract becomes known, the entire amount of the estimated loss is recognized in the Consolidated Statements of Operations. Costs in excess of billings are classified as work-in-process inventory. Projects with billings in excess of costs are recorded within deferred revenue.

Revenue recognition involves judgments, including assessments of expected returns, the likelihood of nonpayment, and estimates of expected costs and profits on long-term contracts. In determining when to recognize revenue, the Company analyzes various factors, including the specifics of the transaction, historical experience, creditworthiness of the customer, and current market and economic conditions. Changes in judgments on these factors could impact the timing and amount of revenue recognized with a resulting impact on the timing and amount of associated income.

Deferred revenue

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

Fair value of financial instruments

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

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

Stock-based compensation

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

Product warranty

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

Income taxes

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

The Company makes judgments regarding the recognition of deferred tax assets and the future realization of these assets. As prescribed by FASB ASC 740 Income Taxes and applicable guidance, valuation allowances must be provided for those deferred tax assets for which it is more likely than not (a likelihood more than 50%) that some portion or all of the deferred tax assets will not be realized. The guidance requires the Company to evaluate positive and negative evidence regarding the recoverability of deferred tax assets. The determination of whether the positive evidence outweighs the negative evidence and quantification of the valuation allowance requires the Company to make estimates and judgments of future financial results.

The Company evaluates all tax positions taken on its federal, state, and foreign tax filings to determine if the position is more likely than not to be sustained upon examination. For positions that meet the more likely than not to be sustained criteria, the largest amount of benefit to be realized upon ultimate settlement is determined on a cumulative probability basis. A previously recognized tax position is derecognized when it is subsequently determined that a tax position no longer meets the more likely than not threshold to be sustained. The evaluation of the sustainability of a tax position and the expected tax benefit is based on judgment, historical experience, and various other assumptions. Actual results could differ from those estimates upon subsequent resolution of identified matters. The Company accrues interest and penalties related to unrecognized tax benefits in its provision for income taxes.

Foreign currency translation

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

Research and development

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

Use of estimates

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

Recently issued accounting guidance

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

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

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

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

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

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

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

Recently adopted accounting guidance

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

Note 2.

Business Segments

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

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

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

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

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

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

	2016				
	Net Sales	Segment Profit (Loss) *	Segment Assets	Depreciation/ Amortization	Expenditures for Long-Lived Assets
Rail Products and Services	$ 239,127	$ (26,228)	$ 174,049	$ 7,276	$ 856
Construction Products	145,602	8,189	81,074	2,256	687
Tubular and Energy Services	98,785	(116,126)	100,006	12,644	3,810
Total	$ 483,514	$ (134,165)	$ 355,129	$ 22,176	$ 5,353

	2015				
	Net Sales	Segment Profit (Loss) **	Segment Assets	Depreciation/ Amortization	Expenditures for Long-Lived Assets
Rail Products and Services	$ 328,982	$ 27,037	$ 241,222	$ 8,098	$ 4,273
Construction Products	176,394	12,958	86,335	2,720	1,260
Tubular and Energy Services	119,147	(81,344)	216,715	14,857	4,303
Total	$ 624,523	$ (41,349)	$ 544,272	$ 25,675	$ 9,836

	2014				
	Net Sales	Segment Profit	Segment Assets	Depreciation/ Amortization	Expenditures for Long-Lived Assets
Rail Products and Services	$ 374,615	$ 30,093	$ 239,951	$ 6,153	$ 5,115
Construction Products	178,847	13,106	102,978	2,232	3,343
Tubular and Energy Services	53,730	5,350	130,289	3,208	6,988
Total	$ 607,192	$ 48,549	$ 473,218	$ 11,593	$ 15,446

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

** - Segment loss includes impairment of goodwill as further described in Note 4 Goodwill and Other Intangible Assets.

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

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

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

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

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

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

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

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

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

Note 3.

Acquisitions

TEW Plus, Ltd

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

Inspection Oilfield Services

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

TEW Holdings, Ltd

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

Chemtec Energy Services, L.L.C.

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

FWO

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

Carr Concrete

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

Acquisition Summary

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

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

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

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

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

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

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

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

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

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

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

Note 4.

Goodwill and Other Intangible Assets

The following table represents the goodwill balance by reportable segment:

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

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

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

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

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

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

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

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

In 2015, the Company compared the implied fair values of the IOS and Chemtec goodwill amounts to the carrying amounts of that goodwill. The fair values of the IOS and Chemtec reporting units were allocated to all of the assets and liabilities of the respective reporting unit as if IOS and Chemtec had been acquired in business combinations as of the test date and the fair value was the purchase price paid to acquire each reporting unit. As a result of this valuation, it was determined that the carrying amounts of IOS s and Chemtec s goodwill exceeded the implied fair values of that goodwill. The Company recognized a non-cash goodwill impairment charge of $80,337 to write down the carrying values to the implied fair values, of which $69,908 represented the full carrying value of goodwill related to the IOS acquisition and the remaining $10,429 related to the Chemtec reporting unit. No additional impairments were triggered as a result of the Company s 2015 annual impairment test.

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

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

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

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

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

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

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

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

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

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Note 5.

Accounts Receivable

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

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

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

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

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

Note 6.

Inventory

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

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

$	83,243	$	96,396

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

Note 7.

Property, Plant, and Equipment

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

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

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

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

Note 8.

Investments

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

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

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

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

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

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

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

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

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

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

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

Note 9.

Deferred Revenue

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

Note 10.

Long-Term Debt and Related Matters

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

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

The maturities of long-term debt are as follows:

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

Borrowings

United States

On November 7, 2016, the Company, its domestic subsidiaries, and certain of its Canadian subsidiaries entered into the Second Amendment (the Second Amendment) to the Second Amended and Restated Credit Agreement dated March 13, 2015 and as amended by the First Amendment dated June 29, 2016 (the Amended and Restated Credit Agreement), with PNC Bank, N.A., Bank of America, N.A., Wells Fargo Bank, N.A., Citizens Bank of Pennsylvania, and Branch Banking and Trust Company. This Second Amendment modifies the Amended and Restated Credit Agreement which had a maximum revolving credit line of $275,000. The Second Amendment reduces the permitted

revolving credit borrowings to $195,000 and provides for additional term loan borrowing of $30,000. The term loan will be subject to quarterly straight line amortization until fully paid off upon the final payment on January 1, 2020. Furthermore, certain matters, including excess cash flow, asset sales, and equity issuances, trigger mandatory prepayments to the Term Loan. Term Loan borrowings will not be available to draw upon once they have been repaid. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Second Amendment or Amended and Restated Credit Agreement, as applicable.

The Second Amendment further provides for modifications to the financial covenants as defined in the Amended and Restated Credit Agreement. The Second Amendment calls for the elimination of the Maximum Leverage Ratio covenant through the quarter ended June 30, 2018. After that period, the Maximum Gross Leverage Ratio covenant will be reinstated to require a maximum ratio of 4.25 Consolidated Indebtedness to 1.00 Gross Leverage for the quarter ended September 30, 2018, and 3.75 to 1.00 for all periods thereafter until the maturity date of the credit facility. The Second Amendment also includes a Minimum Last Twelve Months EBITDA covenant (Minimum EBITDA). For the quarter ending December 31, 2016 through the quarter ending June 30, 2017, the Minimum EBITDA must be at least $18,500. For each quarter thereafter, through the quarter ended June 30, 2018, the Minimum EBITDA requirement will increase by various increments. At June 30, 2018, the Minimum EBITDA requirement will be $31,000. After the quarter ended June 30, 2018, the Minimum EBITDA covenant will be eliminated through the maturity of the credit agreement. The

Second Amendment also includes a Minimum Fixed Charge Coverage Ratio covenant. The covenant represents the ratio of the Company s fixed charges to the last twelve months of EBITDA, and is required to be a minimum of 1.00 to 1.00 through the quarter ended December 31, 2017 and 1.25 to 1.00 for each quarter thereafter through the maturity of the credit facility. The final financial covenant included in the Second Amendment is a Minimum Liquidity covenant which calls for a minimum of $25,000 in undrawn availability on the revolving credit loan at all times through the quarter ended June 30, 2018.

The Second Amendment includes several changes to certain non-financial covenants as defined in the Credit Agreement. Through the maturity date of the loan, the Company is now prohibited from making any future acquisitions. The limitation on permitted annual distributions of dividends or redemptions of the Company s stock has been decreased from $4,000 to $1,700. The aggregate limitation on loans to and investments in non-loan parties was decreased from $10,000 to $5,000. Furthermore, the limitation on asset sales has been decreased from $25,000 annually with a carryover of up to $15,000 from the prior year to $25,000 in the aggregate through the maturity date of the credit facility. At December 31, 2016, the Company was in compliance with the covenants in the Second Amendment.

The Second Amendment provides for the elimination of the three lowest tiers of the pricing grid that had previously been defined in the First Amendment. Upon execution of the Second Amendment through the quarter ended March 31, 2018, the Company will be locked into the highest tier of the pricing grid which provides for pricing of the prime rate plus 225 basis points on base rate loans and the applicable LIBOR rate plus 325 basis points on euro rate loans. For each quarter after March 31, 2018 and through the maturity date of the credit facility, the Company s position on the pricing grid will be governed by a Minimum Net Leverage ratio which is the ratio of Consolidated Indebtedness less cash on hand in excess of $15,000 to EBITDA. If, after March 31, 2018 the Minimum Net Leverage ratio positions the Company on the lowest tier of the pricing grid, pricing will be the prime rate plus 150 basis points on base rate loans or the applicable LIBOR rate plus 250 basis points on euro rate loans.

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

United Kingdom

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

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

Note 11.

Stockholders Equity

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

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

On December 4, 2013, the Company s Board of Directors authorized the purchase of up to $15,000 in shares of its common stock through a share repurchase program at prevailing market prices or privately negotiated transactions. The Company repurchased 80,512 shares, for an aggregate price of $1,587, during 2015 under the repurchase program. On December 9, 2015, the Board of Directors authorized the repurchase of up to $30,000 of the Company s common shares until December 31, 2017. This authorization became effective January 1, 2016 and replaces the prior authorization. The Second Amendment limits the amount of common shares that the Company can repurchase at this time. The Company repurchased 5,000 shares, for an aggregate price of $67, during 2016 under the repurchase program.

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

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

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

Note 12.

Accumulated Other Comprehensive Loss

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

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

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

Note 13.

Earnings Per Common Share

(Share amounts in thousands)

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

	2016	2015	2014
Numerator for basic and diluted (loss) earnings per common share -			
(Loss) income available to common stockholders:			
Net (loss) income	$ (141,660)	$ (44,445)	$ 25,656
Denominator:			
Weighted average shares outstanding	10,273	10,254	10,225
Denominator for basic earnings per common share	10,273	10,254	10,225
Effect of dilutive securities:			
Employee stock options			6
Other stock compensation plans			101
Dilutive potential common shares			107
Denominator for diluted earnings per common share - adjusted weighted average shares outstanding and assumed conversions	10,273	10,254	10,332
Basic (loss) earnings per common share	$ (13.79)	$ (4.33)	$ 2.51
Diluted (loss) earnings per common share	$ (13.79)	$ (4.33)	$ 2.48
Dividends paid per common share	$ 0.12	$ 0.16	$ 0.13

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

Note 14.

Income Taxes

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

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

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

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

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

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