FOSTER L B CO
Form 10-Q
November 08, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the quarterly period ended September 30, 2012

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)

(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 of 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 [X]	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 such shorter period that the registrant was required to submit and post such files).	Yes [X]	No [ ]

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

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

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

Class	Outstanding at October 28, 2012
Common Stock, Par Value $.01	10,143,398 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, except share data)

	September 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 100,658	$ 73,727
Accounts and notes receivable:		
Trade	85,382	64,562
Other	612	1,934
	85,994	66,496
Inventories	90,928	89,464
Current deferred tax assets	7,386	-
Prepaid income taxes	504	3,684
Other current assets	2,978	1,758
Current assets of discontinued operations	1,333	4,864
Total Current Assets	289,781	239,993
Property, Plant Equipment - At Cost	123,087	124,296
Less Accumulated Depreciation	(78,887)	(78,459)
	44,200	45,837
Other Assets:		
Goodwill	41,237	41,237
Other intangibles - net	40,974	42,871
Investments	4,137	3,495
Other assets	1,361	1,415
Assets of discontinued operations	-	5,046
TOTAL ASSETS	$ 421,690	$ 379,894
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt	$ 362	$ 2,384
Accounts payable - trade	59,259	49,213
Deferred revenue	8,521	6,833

Accrued payroll and employee benefits	8,100	9,483
Current deferred tax liabilities	-	759
Accrued warranty provision	28,113	6,632
Other accrued liabilities	11,570	8,134
Liabilities of discontinued operations	263	1,294
Total Current Liabilities	116,188	84,732
Long-Term Debt	33	51
Deferred Tax Liabilities	11,017	11,708
Other Long-Term Liabilities	13,074	13,588
STOCKHOLDERS' EQUITY:		
Common stock, issued 10,142,019 shares at 9/30/2012 and 10,073,403 shares at 12/31/2011	111	111
Paid-in capital	45,753	47,349
Retained earnings	263,904	255,152
Treasury stock - at cost, Common Stock, 973,760 shares at 9/30/2012 and 1,042,376 shares at 12/31/2011	(25,719)	(28,169)
Accumulated other comprehensive loss	(2,671)	(4,628)
Total Stockholders' Equity	281,378	269,815
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 421,690	$ 379,894

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(Unaudited)		(Unaudited)	
Net Sales	$ 170,346	$ 158,323	$ 447,817	$ 441,602
Cost of Goods Sold	139,634	128,728	383,117	369,716
Gross Profit	30,712	29,595	64,700	71,886
Selling and Administrative Expenses	16,581	16,789	50,142	47,897
Amortization Expense	703	699	2,097	2,096
Interest Expense	141	170	405	443
Interest Income	(126)	(74)	(319)	(224)
Equity in Income of Nonconsolidated Investment	(310)	(287)	(643)	(570)
Loss/(Gain) on Foreign Exchange	283	(711)	457	(497)
Other Expense/(Income)	329	(650)	(453)	(822)
	17,601	15,936	51,686	48,323
Income From Continuing Operations Before Income Taxes	13,111	13,659	13,014	23,563
Income Tax Expense	4,647	4,308	4,892	7,313
Income From Continuing Operations	8,464	9,351	8,122	16,250
Discontinued Operations:				
(Loss) Income From Discontinued Operations Before Income Taxes, including Gain on Sale	(343)	604	3,805	839
Income Tax (Benefit) Expense	(104)	215	2,403	298
(Loss) Income From Discontinued Operations	(239)	389	1,402	541
Net Income	$ 8,225	$ 9,740	$ 9,524	$ 16,791
Basic Earnings (Loss) Per Common Share:				
From Continuing Operations	$ 0.83	$ 0.92	$ 0.80	$ 1.58
From Discontinued Operations	(0.02)	0.04	0.14	0.05
Basic Earnings Per Common Share	$ 0.81	$ 0.96	$ 0.94	$ 1.64

Diluted Earnings (Loss) Per Common Share:				
From Continuing Operations	$ 0.83	$ 0.91	$ 0.80	$ 1.57
From Discontinued Operations	(0.02)	0.04	0.14	0.05
Diluted Earnings Per Common Share	$ 0.81	$ 0.95	$ 0.93	$ 1.62
Dividends Paid Per Common Share	$ 0.025	$ 0.025	$ 0.075	$ 0.075

See Notes to Condensed Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(Unaudited)		(Unaudited)	
Net Income	$ 8,225	$ 9,740	$ 9,524	$ 16,791
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	927	(2,338)	1,928	(1,426)
Unrealized derivative loss on cash flow hedges	29	-	29	-
	956	(2,338)	1,957	(1,426)
Comprehensive Income	$ 9,181	$ 7,402	$ 11,481	$ 15,365

See Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30, 2012	2011
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income from continuing operations	$ 8,122	$ 16,250
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Deferred income taxes	(8,797)	(904)
Depreciation and amortization	9,575	8,811
Equity in income of nonconsolidated investment	(643)	(570)
Loss on sale of property, plant and equipment	314	95
Deferred gain amortization on sale-leaseback	(456)	(738)
Share-based compensation	1,312	1,720
Excess tax benefit from share-based compensation	(121)	(368)
Change in operating assets and liabilities:		
Accounts receivable	(19,061)	(10,941)
Inventories	(1,044)	(4,711)
Other current assets	(1,232)	302
Prepaid income tax	5,697	1,924
Other noncurrent assets	99	(432)
Accounts payable - trade	9,163	549
Deferred revenue	3,050	(9,149)
Accrued payroll and employee benefits	(2,089)	(887)
Other current liabilities	21,200	10,552
Other liabilities	(463)	(840)
Net Cash Provided by Continuing Operating Activities	24,626	10,663
Net Cash Used by Discontinued Operations	(599)	(632)
CASH FLOWS FROM INVESTING ACTIVITIES:		

Proceeds from the sale of property, plant and equipment	17	51
Capital expenditures on property, plant and equipment	(6,342)	(7,974)
Acquisitions	-	(8,952)
Capital contributions to equity method investment	-	(625)
Net Cash Used by Continuing Investing Activities	(6,325)	(17,500)
Net Cash Provided/(Used) by Discontinued Operations	10,548	(133)

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

	Nine Months Ended September 30,	
	2012	2011
	(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of other long-term debt	(2,040)	(2,017)
Proceeds from exercise of stock options and stock awards	73	123
Treasury stock acquisitions	-	(6,480)
Cash dividends on common stock paid to shareholders	(772)	(767)
Excess tax benefit from share-based compensation	121	368
Net Cash Used by Financing Activities	(2,618)	(8,773)
Effect of exchange rate changes on cash and cash equivalents	1,299	(1,290)
Net Increase/(Decrease) in Cash and Cash Equivalents	26,931	(17,665)
Cash and Cash Equivalents at Beginning of Period	73,727	74,800
Cash and Cash Equivalents at End of Period	$ 100,658	$ 57,135
Supplemental Disclosure of Cash Flow Information:		
Interest Paid	$ 301	$ 360
Income Taxes Paid	$ 10,696	$ 6,314

See Notes to Condensed Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States 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 interim periods are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. Amounts included in the balance sheet as of December 31, 2011 were derived from our audited balance sheet. 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, 2011.

Certain accounts in the prior year period condensed consolidated financial statements have been reclassified for comparative purposes principally to conform to the presentation of discontinued operations in the current year period.

2. 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 and services.

The following table illustrates revenues and profits from continuing operations of the Company by segment for the periods indicated:

	Three Months Ended September 30, 2012		Nine Months Ended September 30, 2012	
	Net Sales	Segment Profit	Net Sales	Segment Profit
	In thousands			
Rail products	$ 110,993	$ 8,096	$ 278,993	$ 1,743
Construction products	45,948	3,083	132,173	6,062
Tubular products	13,405	3,783	36,651	9,501
Total	$ 170,346	$ 14,962	$ 447,817	$ 17,306

	Three Months Ended September 30, 2011		Nine Months Ended September 30, 2011	
	Net Sales	Segment Profit	Net Sales	Segment Profit
	In thousands			
Rail products	$ 89,378	$ 8,858	$ 241,016	$ 12,944
Construction products	60,175	4,879	176,404	12,583
Tubular products	8,770	1,951	24,182	4,673
Total	$ 158,323	$ 15,688	$ 441,602	$ 30,200

Segment profits from continuing operations, as shown above, include internal cost of capital charges for assets used in the segment at a rate of, generally, 1% per month. There has been no change in the measurement of segment profit from continuing operations from December 31, 2011.

The following table provides a reconciliation of reportable segment net profit from continuing operations to the Company’s consolidated total:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	In thousands			
Income for reportable segments	$ 14,962	$ 15,688	$ 17,306	$ 30,200
Cost of capital for reportable segments	3,897	3,901	12,866	11,108
Interest expense	(141)	(170)	(405)	(443)
Interest income	126	74	319	224
Other (expense)/income	(329)	650	453	822
LIFO income/(expense)	432	(444)	333	(1,140)
Equity in income of nonconsolidated investment	310	287	643	570
(Loss)/gain on foreign exchange	(283)	711	(457)	497
Corporate expense and other unallocated charges	(5,863)	(7,038)	(18,044)	(18,275)

Income from continuing operations before income taxes	$ 13,111	$ 13,659	$ 13,014	$ 23,563

3. GOODWILL AND OTHER INTANGIBLE ASSETS

On June 4, 2012, the Company divested $2,588,000 in goodwill attributed to the Rail Products segment in connection with the sale of its railway securement business. Intangible assets with net carrying value of $170,000 were also included with this sale. These intangible assets had a net carrying value of $177,000 at December 31, 2011. More information regarding this sale can be found in Note 9.

Excluding amounts attributed to discontinued operations, the carrying amount of goodwill at September 30, 2012 and December 31, 2011 was $41,237,000, of which $38,026,000 is attributable to the Company's Rail Products segment and $3,211,000 is attributable to the Construction Products segment.

Identified intangible assets of $2,305,000 are attributable to the Company's Construction Products segment and $44,452,000 are attributable to the Company's Rail Products segment. The components of the Company's intangible assets are as follows:

	September 30, 2012 Weighted Average Amortization Period In Years In thousands	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
Non-compete agreements	5	$ 380	$ (366)	$ 14
Patents	10	125	(125)	-
Customer relationships	23	19,960	(2,217)	17,743
Supplier relationships	5	350	(126)	224
Trademarks	17	6,280	(771)	5,509
Technology	18	19,662	(2,178)	17,484
	20	$ 46,757	$ (5,783)	$ 40,974

	December 31, 2011 Weighted Average Amortization Period In Years In thousands	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
Non-compete agreements	5	$ 380	$ (361)	$ 19
Patents	10	125	(125)	-
Customer relationships	23	19,960	(1,402)	18,558
Supplier relationships	5	350	(73)	277
Trademarks	17	6,280	(447)	5,833
Technology	18	19,457	(1,273)	18,184
	20	$ 46,552	$ (3,681)	$ 42,871

Intangible assets are amortized over their useful lives ranging from 5 to 25 years, with a total weighted average amortization period of approximately 20 years. Amortization expense from continuing operations for the three-month periods ended September 30, 2012 and 2011 was $703,000 and $699,000, respectively. Amortization expense from continuing operations for the nine-month periods ended September 30, 2012 and 2011 was $2,097,000 and $2,096,000, respectively.

Estimated amortization expense from continuing operations for the remainder of 2012 and the years 2013 and thereafter is as follows:

	In thousands
2012	$ 657
2013	2,755
2014	2,755
2015	2,476
2016	2,319
2017 and thereafter	30,012
	$ 40,974

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4. ACCOUNTS RECEIVABLE

Credit is extended based upon an evaluation of the customer's financial condition and while collateral is not required, the Company often receives surety bonds that guarantee payment. Credit terms are consistent with industry standards and practices. Trade accounts receivable from continuing operations at September 30, 2012 and December 31, 2011 have been reduced by an allowance for doubtful accounts of ($1,306,000) and ($1,726,000), respectively.

5. INVENTORIES

Inventories of continuing operations of the Company at September 30, 2012 and December 31, 2011 are summarized in the following table:

	September 30, 2012	December 31, 2011
	In thousands	
Finished goods	$ 69,219	$ 71,758
Work-in-process	10,643	8,004
Raw materials	20,916	19,885
Total inventories at current costs	100,778	99,647
Less: LIFO reserve	(9,850)	(10,183)
	$ 90,928	$ 89,464

Inventories of the Company's continuing operations 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 is made at the end of each year based on the inventory levels and costs at that time. Interim LIFO calculations are based on management's estimates of expected year-end levels and costs.

6. INVESTMENTS

Investments of the Company consist of a nonconsolidated equity method investment of $4,137,000 and $3,495,000 at September 30, 2012 and December 31, 2011, respectively.

The Company is a member of a joint venture with L B Industries, Inc. and James Legg until September 30, 2019. The Company and L B Industries, Inc. each have a 45% ownership interest in the joint venture, L B Pipe & Coupling Products, LLC (JV). The JV manufactures, markets and sells various products for the energy, utility and construction markets. Under the terms of the JV agreement, as amended, the Company was required to make capital contributions totaling approximately $3,000,000. The Company fulfilled these commitments during 2011. The other JV members are required to make proportionate contributions in accordance with the ownership percentages in the JV agreement.

Under applicable guidance for variable interest entities in ASC 810, "Consolidation," the Company determined that the JV is a variable interest entity, as the JV has not demonstrated that it has sufficient equity to support its operations without additional financial support. 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 the JV. Accordingly, the Company concluded that the equity method of accounting remains appropriate.

The Company recorded equity in the income of the JV of approximately $310,000 and $643,000 for the three and nine months ended September 30, 2012, respectively. The Company recorded equity in the income of the JV of approximately $287,000 and $570,000 for the three and nine months ended September 30, 2011, respectively.

The Company's exposure to loss results from its capital contributions, net of the Company's share of the JV's income or loss, and its net investment in the direct financing lease covering the facility used by the JV for its operations. The carrying amounts with the maximum exposure to loss of the Company at September 30, 2012 and December 31, 2011, respectively, are as follows:

	September 30, 2012	December 31, 2011
	In thousands	
Equity method investment	$ 4,137	$ 3,495
Net investment in direct financing lease	933	971
	$ 5,070	$ 4,466

The Company is leasing five acres of land and the facility to the JV over a period of 9.5 years, with a 5.5 year renewal period. Monthly rent over the term of the lease is approximately $10,000, with a balloon payment of approximately $488,000 which is required to be paid either 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 Company maintained a net investment in this direct financing lease of approximately $933,000 and $971,000 at September 30, 2012 and December 31, 2011, respectively.

The following is a schedule of the direct financing minimum lease payments for the remainder of 2012 and the years 2013 and thereafter

	In thousands
2012	$ 13
2013	54
2014	58
2015	63
2016	67
2017 and thereafter	678
	$ 933

7. DEFERRED REVENUE

Deferred revenue consists of customer payments received for which the revenue recognition criteria have not yet been met. The Company has significantly fulfilled its obligations under the contracts and the customers have paid, but due to the Company's continuing involvement with the material, revenue is precluded from being recognized until the customer takes possession.

8. BORROWINGS

United States

On May 2, 2011, the Company, its domestic subsidiaries, and certain of its Canadian subsidiaries entered into a new $125,000,000 Revolving Credit Facility Credit Agreement (Credit Agreement) with PNC Bank, N.A., Bank of America, N.A., Wells Fargo Bank, N.A. and Citizens Bank of Pennsylvania. This Credit Agreement replaced a prior revolving credit facility with a maximum credit line of $90,000,000 and a $20,000,000 term loan. The Credit Agreement provides for a five-year, unsecured revolving credit facility that permits borrowing up to $125,000,000 for the U.S. borrowers and a sublimit of the equivalent of $15,000,000 U.S. dollars that is available to the Canadian borrowers. Provided no event of default exists, the Credit Agreement contains a provision that provides for an increase in the revolver facility of $50,000,000 that can be allocated to existing or new lenders if the Company's borrowing requirements should increase. The Credit Agreement includes a sublimit of $20,000,000 for the issuance of trade and standby letters of credit.

Borrowings under the Credit Agreement will bear interest at rates based upon either the base rate or LIBOR-based rate plus applicable margins. Applicable margins are dictated by the ratio of the Company's indebtedness less cash on hand to the Company's consolidated EBITDA, as defined in the underlying Credit Agreement. The base rate is the highest of (a) PNC Bank's prime rate, (b) the Federal Funds Rate plus 0.50% or (c) the daily LIBOR rate, as defined in the underlying Credit Agreement, plus 1.00%. The base rate spread ranges from 0.00% to 1.00%. LIBOR-based rates are determined by dividing the published LIBOR rate by a number equal to 1.00 minus the percentage prescribed by the Federal Reserve for determining the maximum reserve requirements with respect to any Eurocurrency funding by banks on such day. The LIBOR-based rate spread ranges from 1.00% to 2.00%.

The Credit Agreement includes two financial covenants: (a) the Leverage Ratio, defined as the Company's Indebtedness less cash on hand divided by the Company's consolidated EBITDA, which must not exceed 3.00 to 1.00 and (b) Minimum Interest Coverage, defined as consolidated EBITDA less Capital Expenditures divided by consolidated interest expense, which must be no less than 3.00 to 1.00.

The Credit Agreement permits the Company to pay dividends and distributions and make redemptions with respect to its stock provided no event of default or potential default (as defined in the Credit Agreement) has occurred prior to or after giving effect to the dividend, distribution, or redemption. Dividends, distributions, and redemptions are capped at $15,000,000 per year when funds are drawn on the facility. If no drawings on the facility exist, dividends, distributions, and redemptions in excess of $15,000,000 per year are subjected to a limitation of $75,000,000 in aggregate. The $75,000,000 aggregate limitation also includes certain loans, investments, and acquisitions. The Company is permitted to acquire the stock or assets of other entities with limited restrictions provided that the Leverage Ratio does not exceed 2.50 to 1.00 after giving effect to the acquisition.

Other restrictions exist at all times including, but not limited to, limitation of the Company's sale of assets, other indebtedness incurred by either the borrowers or the non-borrower subsidiaries of the Company, guaranties, and liens. On July 9, 2012, the Company amended the Credit Agreement to increase the limitation of the Company's sale of assets from $10,000,000 to $25,000,000.

As of September 30, 2012, the Company was in compliance with the Credit Agreement's covenants.

The Company had no outstanding borrowings under the revolving credit facility at September 30, 2012 or December 31, 2011 and had available borrowing capacity of $123,824,000 at September 30, 2012.

Letters of Credit

At September 30, 2012, the Company had outstanding letters of credit of approximately $1,176,000.

United Kingdom

A subsidiary of the Company has a working capital facility with NatWest Bank for its United Kingdom operations which includes an overdraft availability of £1,500,000 pounds sterling (approximately $2,424,000 at September 30, 2012). This credit facility supports the subsidiary'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 1.50%. Outstanding performance bonds reduce availability under this credit facility. The subsidiary of the Company had no outstanding borrowings under this credit facility as of September 30, 2012. There was approximately $61,000 in outstanding guarantees (as defined in the underlying agreement) at September 30, 2012. There were no borrowings or performance bonds outstanding on this facility as of December 31, 2011. This credit facility was renewed effective August 30, 2012 with no significant changes to the underlying terms or conditions in the facility. The expiration date of this credit facility is August 30, 2013.

The United Kingdom loan agreements contain certain financial covenants that require that subsidiary to maintain senior interest and cash flow coverage ratios. The subsidiary was in compliance with these financial covenants as of September 30, 2012. The subsidiary had available borrowing capacity of $2,363,000 at September 30, 2012.

9. DISCONTINUED OPERATIONS

On June 4, 2012, the Company sold substantially all of the assets and liabilities of its railway securement business, Shipping Systems Division (SSD), for $8,579,000 to Holland, L.P., resulting in a pre-tax gain of approximately $3,508,000. On August 30, 2012, the Company sold substantially all of the assets and liabilities of its precise structural products business, Precise, for $2,643,000 to Cianbro Fabrication and Coating Corporation, resulting in a pre-tax loss of approximately $315,000.

The operations of these divisions qualify as a "component of an entity" under FASB ASC 205-20, "Presentation of Financial Statements – Discontinued Operations" and thus, the operations have been reclassified as discontinued and prior periods have been reclassified to conform to this presentation. Future expenses of discontinued operations are not expected to be material.

Net sales and income, including the pre-tax gain of $3,193,000, from discontinued operations were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	In thousands			
Net sales	$ 1,159	$ 4,380	$ 8,701	$ 11,906
(Loss) income from discontinued operations	$ (343)	$ 604	$ 3,805	$ 839
Income tax (benefit) expense	(104)	215	2,403	298
(Loss) income from discontinued operations	$ (239)	$ 389	$ 1,402	$ 541

The effective tax rate in the nine-month period ended September 30, 2012 was significantly impacted by $2,588,000 of goodwill allocated to SSD for discontinued operations which was not deductible for income tax purposes.

The following table details balance sheet information for discontinued operations:

	September 30, 2012	December 31, 2011
	In thousands	
Current Assets	$ 1,333	$ 4,864
Other Assets		
Property, plant and equipment-net	-	2,281
Goodwill	-	2,588
Other intangibles - net	-	177
Total Other Assets	-	5,046
Total Assets	1,333	9,910
Current Liabilities	263	1,294
Net assets of discontinued operations	$ 1,070	$ 8,616

10. EARNINGS PER COMMON SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	In thousands, except per share data			
Numerator for basic and diluted earnings per common share - Income available to common stockholders:				
Income from continuing operations	$ 8,464	$ 9,351	$ 8,122	$ 16,250
(Loss) income from discontinued operations	(239)	389	1,402	541
Net income	$ 8,225	$ 9,740	$ 9,524	$ 16,791
Denominator:				
Weighted average shares				