FreightCar America, Inc.
Form 10-Q
November 03, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2015

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 000-51237

FREIGHTCAR AMERICA, INC.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**25-1837219** **(I.R.S. Employer Identification No.)**
Two North Riverside Plaza, Suite 1300	
Chicago, Illinois **(Address of principal executive offices)**	**60606** **(Zip Code)**

(800) 458-2235

(Registrant s telephone number, including area code)

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

Indicate 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 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.:

Large accelerated filer	¨	Accelerated filer	x
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 x

As of November 3, 2015, there were 12,328,014 shares of the registrant s common stock outstanding.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

FreightCar America, Inc.

Condensed Consolidated Balance Sheets

(Unaudited)

	September 30, 2015	December 31, 2014
	(In thousands, except for share and per share data)	
Assets		
Current assets		
Cash and cash equivalents	$ 94,997	$ 113,532
Restricted cash and restricted certificates of deposit	6,896	6,015
Marketable securities	30,009	47,961
Accounts receivable, net of allowance for doubtful accounts of $80 and $188, respectively	28,824	4,086
Inventories, net	141,676	82,259
Inventory on lease		116
Other current assets	8,300	7,057
Deferred income taxes, net	10,214	12,139
Total current assets	320,916	273,165
Property, plant and equipment, net	44,055	43,239
Railcars available for lease, net	16,126	22,897
Goodwill	21,521	22,128
Deferred income taxes, net	22,883	21,553
Other long-term assets	2,900	2,270
Total assets	$ 428,401	$ 385,252
Liabilities and Stockholders Equity		
Current liabilities		
Accounts and contractual payables	$ 59,136	$ 34,010
Accrued payroll and employee benefits	6,565	6,462
Accrued postretirement benefits	409	409
Accrued warranty	9,305	8,742
Customer deposits and deferred revenue	11,074	43,977
Income taxes payable	7,308	
Other current liabilities	7,458	4,725
Total current liabilities	101,255	98,325

Accrued pension costs		6,665		7,210
Accrued postretirement benefits, less current portion		75,460		73,474
Deferred income state and local incentives, long-term		12,722		
Accrued taxes and other long-term liabilities		10,699		7,548
Total liabilities		206,801		186,557
Stockholders equity				
Preferred stock, $0.01 par value, 2,500,000 shares authorized (100,000 shares each designated as Series A voting and Series B non-voting, 0 shares issued and outstanding at September 30, 2015 and December 31, 2014)				
Common stock, $0.01 par value, 50,000,000 shares authorized, 12,731,678 shares issued at September 30, 2015 and December 31, 2014		127		127
Additional paid in capital		93,488		100,303
Treasury stock, at cost, 403,664 and 665,869 shares at September 30, 2015 and December 31, 2014, respectively		(17,623)		(29,971)
Accumulated other comprehensive loss		(23,486)		(24,017)
Retained earnings		169,094		152,253
Total stockholders equity		221,600		198,695
Total liabilities and stockholders equity	$	428,401	$	385,252

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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FreightCar America, Inc.

Condensed Consolidated Statements of Operations

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	**2014**	**2015**	**2014**
	(In thousands, except for share and per share data)			
Revenues	$ 241,114	$ 190,280	$ 569,555	$ 386,054
Cost of sales	212,064	171,461	514,146	359,333
Gross profit	29,050	18,819	55,409	26,721
Selling, general and administrative expenses	10,706	9,215	30,473	26,296
Gain on sale of railcars available for lease		(635)	(1,187)	(653)
Gain on sale of railcar repair and maintenance services business and facility	(4,578)	(1,078)	(4,578)	(1,078)
Operating income	22,922	11,317	30,701	2,156
Interest expense and deferred financing costs	(56)	(284)	(184)	(854)
Other income	8	7	91	48
Income before income taxes	22,874	11,040	30,608	1,350
Income tax provision	8,047	4,608	10,457	252
Net income	$ 14,827	$ 6,432	$ 20,151	$ 1,098
Net income per common share basic	$ 1.20	$ 0.53	$ 1.65	$ 0.09
Net income per common share diluted	$ 1.20	$ 0.53	$ 1.64	$ 0.09
Weighted average common shares outstanding basic	12,241,211	12,007,970	12,153,313	11,999,150
Weighted average common shares outstanding diluted	12,241,426	12,108,397	12,207,432	12,088,728
Dividends declared per common share	$ 0.09	$ 0.06	$ 0.27	$ 0.18

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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FreightCar America, Inc.

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	**2014**	**2015**	**2014**
	(In thousands)			
Net income	$ 14,827	$ 6,432	$ 20,151	$ 1,098
Other comprehensive income:				
Pension liability adjustments, net of tax	71	34	205	102
Postretirement liability adjustments, net of tax	112	99	326	297
Other comprehensive income	183	133	531	399
Comprehensive income	$ 15,010	$ 6,565	$ 20,682	$ 1,497

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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FreightCar America, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (Unaudited)

(in thousands, except for share data)

	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Treasury Stock Shares	Treasury Stock Amount	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders Equity
Balance, December 31, 2013	12,731,678	$ 127	$ 99,265	(682,264)	$ (30,970)	$ (15,132)	$ 149,245	$ 202,535
Net income							1,098	1,098
Other comprehensive income						399		399
Stock options exercised			(137)	6,185	280			143
Restricted stock awards			(1,048)	23,212	1,048			
Employee stock settlement				(8,709)	(224)			(224)
Stock-based compensation recognized			1,576					1,576
Forfeiture of restricted stock awards			138	(4,643)	(138)			
Cash dividends							(2,171)	(2,171)
Balance, September 30, 2014	12,731,678	$ 127	$ 99,794	(666,219)	$ (30,004)	$ (14,733)	$ 148,172	$ 203,356
Balance, December 31, 2014	12,731,678	$ 127	$ 100,303	(665,869)	$ (29,971)	$ (24,017)	$ 152,253	$ 198,695
Net income							20,151	20,151
Other comprehensive income						531		531

Stock options exercised			(5,728)	238,475	10,613			4,885
Restricted stock awards			(2,880)	64,317	2,880			
Forfeiture of restricted stock awards			94	(4,635)	(94)			
Employee stock settlement				(35,952)	(1,051)			(1,051)
Stock-based compensation recognized			1,686					1,686
Excess tax benefit from stock-based compensation			13					13
Cash dividends							(3,310)	(3,310)
Balance, September 30, 2015	12,731,678	$ 127	$ 93,488	(403,664)	$ (17,623)	$ (23,486)	$ 169,094	$ 221,600

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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FreightCar America, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Nine Months Ended September 30,	
	2015	**2014**
	(In thousands)	
Cash flows from operating activities		
Net income	$ 20,151	$ 1,098
Adjustments to reconcile net income to net cash flows used in operating activities		
Depreciation and amortization	7,551	7,481
Recognition of deferred income from state and local incentives	(883)	
Gain on sale of railcars available for lease	(1,187)	(653)
Gain on sale of railcar repair and maintenance services business and facility	(4,578)	(1,078)
Deferred income taxes	296	116
Stock-based compensation recognized	1,686	1,576
Other non-cash items, net	1,555	795
Changes in operating assets and liabilities:		
Accounts receivable	(27,514)	(29,500)
Inventories	(63,488)	(37,509)
Inventory on lease	116	(8,721)
Other assets	(1,307)	(4,380)
Accounts and contractual payables	25,180	47,922
Accrued payroll and employee benefits	295	1,280
Income taxes receivable/payable	8,050	870
Accrued warranty	563	1,734
Customer deposits and other liabilities	(29,471)	(90,794)
Accrued pension costs and accrued postretirement benefits	1,972	1,422
Net cash flows used in operating activities	(61,013)	(108,341)
Cash flows from investing activities		
Restricted cash deposits		(1,017)
Restricted cash withdrawals		2,782
Purchase of restricted certificates of deposit	(2,165)	
Maturity of restricted certificates of deposit	1,284	
Purchase of securities held to maturity	(17,997)	(50,974)
Proceeds from maturity of securities	36,004	42,002
Proceeds from sale of property, plant and equipment and railcars available for lease	7,654	5,907
Proceeds from sale of railcar repair and maintenance services business and facility	17,589	2,124
Purchases of property, plant and equipment	(16,161)	(8,248)

State and local incentives received		15,733		
Net cash flows provided by (used in) investing activities		41,941		(7,424)
Cash flows from financing activities				
Stock option exercise		4,885		143
Employee stock settlement		(1,051)		(224)
Excess tax benefit from stock-based compensation		13		
Cash dividends paid to stockholders		(3,310)		(2,171)
Reduction in customer advance for production of leased railcars				(1,035)
Net cash flows provided by (used in) financing activities		537		(3,287)
Net decrease in cash and cash equivalents		(18,535)		(119,052)
Cash and cash equivalents at beginning of period		113,532		145,506
Cash and cash equivalents at end of period	$	94,997	$	26,454
Supplemental cash flow information:				
Interest paid	$	101	$	42
Income taxes paid	$	3,061	$	51
Income tax refunds received	$	646	$	573

See Notes to Condensed Consolidated Financial Statements (Unaudited).

FreightCar America, Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In thousands, except for share and per share data)

Note 1 Description of the Business

FreightCar America, Inc. (FreightCar) operates primarily in North America through its direct and indirect subsidiaries, JAC Operations, Inc., Johnstown America, LLC, Freight Car Services, Inc., JAIX Leasing Company (JAIX), FreightCar Roanoke, LLC, FreightCar Mauritius Ltd. (Mauritius), FreightCar Rail Services, LLC (FCRS), FreightCar Short Line, Inc. (FCSL), FreightCar Alabama, LLC and FreightCar (Shanghai) Trading Co., Ltd. (herein collectively referred to as the Company), and manufactures a wide range of railroad freight cars, supplies railcar parts and leases freight cars. The Company designs and builds high-quality railcars, including coal cars, bulk commodity cars, covered hopper cars, intermodal and non-intermodal flat cars, mill gondola cars, coil steel cars and boxcars. The Company is headquartered in Chicago, Illinois and has facilities in the following locations: Cherokee, Alabama; Danville, Illinois; Grand Island, Nebraska; Johnstown, Pennsylvania; Roanoke, Virginia; and Shanghai, People s Republic of China.

The Company s operations comprise two reportable segments, Manufacturing and Services. The Company and its direct and indirect subsidiaries are all Delaware corporations or Delaware limited liability companies except Mauritius, which is incorporated in Mauritius, and FreightCar (Shanghai) Trading Co., Ltd., which is organized in the People s Republic of China. The Company s direct and indirect subsidiaries are all wholly owned.

Note 2 Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of FreightCar America, Inc. and subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The foregoing financial information has been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP) and rules and regulations of the U.S. Securities and Exchange Commission (the SEC) for interim financial reporting. The preparation of the financial statements in accordance with 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 these estimates. The results of operations for the three and nine months ended September 30, 2015 are not necessarily indicative of the results to be expected for the full year. The accompanying interim financial information is unaudited; however, the Company believes the financial information reflects all adjustments (consisting of items of a normal recurring nature) necessary for a fair presentation of financial position, results of operations and cash flows in conformity with GAAP. The 2014 year-end balance sheet data was derived from the audited financial statements as of December 31, 2014. Certain information and note disclosures normally included in the Company s annual financial statements prepared in accordance with GAAP have been condensed or omitted. These interim financial statements should be read in conjunction with the audited financial statements contained in the Company s annual report on Form 10-K for the year ended December 31, 2014.

Note 3 Recent Accounting Pronouncements

In July 2015, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) 2015-11, *Inventory (Topic 330),* which requires entities to measure most inventory at the lower of cost and net realizable value, thereby simplifying the current guidance under which an entity must measure inventory at the lower

of cost or market. Under ASU 2015-11, inventory is measured at the lower of cost and net realizable value, which eliminates the need to determine replacement cost and evaluate whether it is above the ceiling (net realizable value) or below the floor (net realizable value less normal profit margin). ASU 2015-11 defines net realizable value as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This standard is effective prospectively for annual reporting periods beginning after December 15, 2016 (early adoption is permitted). The Company is currently evaluating the impact that this guidance will have on its consolidated financial statements and related disclosures.

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs,* which changes the presentation of debt issuance costs in financial statements. ASU 2015-03 requires an entity to present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the debt issuance costs will continue to be reported as interest expense. This standard is effective retrospectively for annual reporting periods beginning after December 15, 2016 (early adoption is permitted). The adoption of these changes is not expected to have a material impact on the consolidated financial position, results of operations or cash flows of the Company.

In February 2015, the FASB issued ASU 2015-02, *Consolidation (Topic 810) Amendments to the Consolidation Analysis,* which changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. All legal entities are subject to reevaluation under the revised consolidation model. The new guidance affects the following areas: (1) limited partnerships and similar legal entities; (2) evaluating fees paid to a decision maker or a service provider as a variable interest; (3) the effect of fee arrangements on the primary beneficiary determination; (4) the effect of related parties on the primary beneficiary determination; and (5) certain investment funds. This standard is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the guidance in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. A reporting entity may apply the amendments in this guidance using a modified retrospective approach by recording a cumulative effect adjustment to equity as of the beginning of the fiscal year of adoption. A reporting entity also may apply the amendments retrospectively. The Company is currently evaluating the impact that this guidance will have on its consolidated financial statements and related disclosures.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in Accounting Standards Codification (ASC) 605, *Revenue Recognition*. ASU 2014-09 provides for a single five-step model to be applied to all revenue contracts with customers. ASU 2014-09 also requires additional financial statement disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period and may be adopted either retrospectively or on a modified retrospective basis whereby the new standard would be applied to new contracts and existing contracts with remaining performance obligations as of the effective date, with a cumulative catch-up adjustment recorded to beginning retained earnings at the effective date for existing contracts with remaining performance obligations. On July 9, 2015 the FASB voted to approve a one year delay of the effective date to annual reporting periods beginning after December 15, 2017, and to permit companies to voluntarily adopt the new standard as of the original effective date. The Company is currently evaluating the methods of adoption allowed by the new standard and the effect that the standard is expected to have on its consolidated financial position, results of operations and cash flows and related disclosures.

Note 4 Segment Information

The Company s operations comprise two reportable segments, Manufacturing and Services. The Company s Manufacturing segment includes new railcar manufacturing, used railcar sales, railcar leasing and major railcar rebuilds. Through September 30, 2015, the Company s Services segment included general railcar repair and maintenance, inspections and parts sales. Corporate includes selling, general and administrative expenses not related to production of goods and services, retiree pension and other postretirement benefit costs, and all other non-operating activity.

Segment operating income is an internal performance measure used by the Company s Chief Operating Decision Maker to assess the performance of each segment in a given period. Segment operating income includes all external revenues attributable to the segments as well as operating costs and income that management believes are directly attributable to the current production of goods and services. The Company s management reporting package does not include interest revenue, interest expense or income taxes allocated to individual segments and these items are not considered as a component of segment operating income. Segment assets represent operating assets and exclude intersegment accounts, deferred tax assets and income tax receivables. The Company does not allocate cash and cash equivalents to its operating segments as the Company s treasury function is managed at the corporate level. Intersegment revenues were not material in any period presented.

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues:				
Manufacturing	$ 233,294	$ 181,490	$ 545,407	$ 358,248
Services	7,820	8,790	24,148	27,806
Consolidated revenues	$ 241,114	$ 190,280	$ 569,555	$ 386,054

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating income:				
Manufacturing	$ 25,817	$ 16,185	$ 44,910	$ 18,584
Services [1]	5,229	1,633	7,917	2,277
Corporate	(8,124)	(6,501)	(22,126)	(18,705)
Consolidated operating income	22,922	11,317	30,701	2,156
Consolidated interest expense and deferred financing costs	(56)	(284)	(184)	(854)
Consolidated other income	8	7	91	48
Consolidated income before income taxes	$ 22,874	$ 11,040	$ 30,608	$ 1,350
Depreciation and amortization:				
Manufacturing	$ 1,807	$ 1,740	$ 5,185	$ 5,060
Services	339	367	1,024	1,155
Corporate	457	429	1,342	1,266
Consolidated depreciation and amortization	$ 2,603	$ 2,536	$ 7,551	$ 7,481
Capital expenditures:				
Manufacturing	$ 5,176	$ 2,460	$ 14,640	$ 7,591
Services	660	88	1,125	393
Corporate	162	55	396	264
Consolidated capital expenditures	$ 5,998	$ 2,603	$ 16,161	$ 8,248

(1) Results for the three and nine months ended September 30, 2015 included a $4,578 gain on sale of the Company s railcar repair and maintenance services business. Results for the three and nine months ended September 30, 2014 included a $1,078 gain on sale of the Company s Clinton repair shop assets (see Note 21).

	September 30, 2015	December 31, 2014
Assets:		
Manufacturing	$ 246,556	$ 157,505
Services	8,846	18,085
Corporate	139,902	175,806
Total operating assets	395,304	351,396
Consolidated income taxes receivable		164
Consolidated deferred income taxes, current	10,214	12,139
Consolidated deferred income taxes, long-term	22,883	21,553
Consolidated assets	$ 428,401	$ 385,252

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Note 5 Fair Value Measurements

The following table sets forth by level within the ASC 820 fair value hierarchy the Company s financial assets that were recorded at fair value on a recurring basis.

Recurring Fair Value Measurements	As of September 30, 2015			
	Level 1	Level 2	Level 3	Total
ASSETS:				
Cash equivalents	$ 95	$	$	$ 95
Restricted certificates of deposit	$ 6,896	$	$	$ 6,896
Escrow receivable	$	$	$ 1,910	$ 1,910

Recurring Fair Value Measurements	As of December 31, 2014			
	Level 1	Level 2	Level 3	Total
ASSETS:				
Cash equivalents	$ 50,070	$	$	$ 50,070
Restricted certificates of deposit	$ 6,015	$	$	$ 6,015

No non-financial assets were recorded at fair value on a non-recurring basis at each of September 30, 2015 and December 31, 2014.

Note 6 Marketable Securities

The Company s current investment policy is to invest in cash, certificates of deposit, U.S. treasury securities, U.S. government agency obligations and money market funds invested in U.S. government securities. Marketable securities as of September 30, 2015 of $30,009 consisted of U.S. treasury securities held to maturity and certificates of deposit with original maturities of greater than 90 days and up to one year. Marketable securities as of December 31, 2014 of $47,961 consisted of U.S. treasury securities held to maturity with original maturities of greater than 90 days and up to one year. Due to the short-term nature of these securities and their low interest rates, there is no material difference between their fair market values and amortized costs.

Note 7 Inventories

Inventories, net of reserve for excess and obsolete items, consist of the following:

	September 30, 2015	December 31, 2014
Work in progress	$ 134,487	$ 76,453
Finished new railcars	2,809	
Parts and service inventory	4,380	5,806
Total inventories	$ 141,676	$ 82,259

Inventory on the Company s condensed consolidated balance sheets includes reserves of $3,916 and $2,381 relating to excess and obsolete inventory for parts and work in progress at September 30, 2015 and December 31, 2014, respectively. Amounts in the table above as of September 30, 2015 reflect reductions of $2,537 in parts and service inventory and total inventories related to the Company s sale of its railcar repair and maintenance services business on September 30, 2015 (see Note 21).

Note 8 Leased Railcars

Inventory on lease was $0 and $116 at September 30, 2015 and December 31, 2014, respectively. Railcars available for lease, net at September 30, 2015 was $16,126 (cost of $19,230 and accumulated depreciation of $3,104) and at December 31, 2014 was $22,897 (cost of $26,852 and accumulated depreciation of $3,955). The Company s lease utilization rate for railcars in its lease fleet was 65% and 100% at September 30, 2015 and December 31, 2014, respectively.

Leased railcars at September 30, 2015 are subject to lease agreements with external customers with terms of up to six years and are accounted for as operating leases.

Future minimum rental revenues on leased railcars at September 30, 2015 are as follows:

Three months ending December 31, 2015	$ 322
Year ending December 31, 2016	1,256
Year ending December 31, 2017	1,256
Year ending December 31, 2018	668
Year ending December 31, 2019	551
Thereafter	826
	$ 4,879

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Note 9 Property, Plant and Equipment

Property, plant and equipment consists of the following:

	September 30, 2015	December 31, 2014
Buildings and improvements	$ 2,361	$ 10,731
Machinery and equipment	60,105	50,771
Software	8,826	8,299
Leasehold improvements	8,402	6,983
Cost of buildings and improvements, leasehold improvements, machinery, equipment and software	79,694	76,784
Less: Accumulated depreciation and amortization	(38,895)	(38,747)
Buildings and improvements, leasehold improvements, machinery, equipment and software, net of accumulated depreciation and amortization	40,799	38,037
Land (including easements)	151	1,976
Construction in process	3,105	3,226
Total property, plant and equipment, net	$ 44,055	$ 43,239

Amounts in the table above as of September 30, 2015 reflect reductions of $7,740 in total property, plant and equipment, net, related to the Company s sale of its railcar repair and maintenance services business on September 30, 2015 (see Note 21).

Note 10 Intangible Assets and Goodwill

Intangible assets consist of the following:

	September 30, 2015	December 31, 2014
Patents	$ 13,097	$ 13,097
Accumulated amortization	(12,590)	(12,147)
Patents, net of accumulated amortization	507	950
Customer-related intangibles		1,194
Accumulated amortization		(491)

Customer-related intangibles, net of accumulated amortization				703
Total amortizing intangibles	$	507	$	1,653
Manufacturing segment goodwill	$	21,521	$	21,521
Services segment goodwill				607
Total goodwill	$	21,521	$	22,128

Patents are being amortized on a straight-line basis over their remaining legal life from the date of acquisition. The weighted average remaining life of the Company s patents is approximately two years. Amortization expense related to patents, which is included in cost of sales, was $148 for each of the three months ended September 30, 2015 and 2014, and $443 for each of the nine months ended September 30, 2015 and 2014. Amortization expense related to customer intangibles, which is included in selling, general and administrative expenses, was $27 and $32 for the three months ended September 30, 2015 and 2014, respectively, and $81 and $97 for the nine months ended September 30, 2015 and 2014, respectively. Amounts in the table above as of September 30, 2015 reflect reductions of $623 in customer-related intangibles, net of accumulated amortization, and $607 in Services segment goodwill related to the Company s sale of its railcar repair and maintenance services business on September 30, 2015 (see Note 21).

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The estimated future intangible amortization at September 30, 2015 is as follows:

Three months ending December 31, 2015	$ 147
Year ending December 31, 2016	360
Year ending December 31, 2017	
Year ending December 31, 2018	
Year ending December 31, 2019	
Thereafter	
	$ 507

The Company assesses the carrying value of goodwill for impairment annually or more frequently whenever events occur and circumstances change indicating potential impairment. On August 1, 2015, the Company performed its annual assessment and concluded that the estimated fair value of the Company s reporting units exceeded the carrying value as of the testing date.

Management determines the fair value of the reporting units using a combination of the income approach, utilizing the discounted cash flow method, and the market approach, utilizing the guideline company method. The negotiated sales price for the Company s railcar maintenance and repair services business was used in evaluating goodwill impairment for the Services reporting unit as of August 1, 2015.

Note 11 Product Warranties

Warranty terms are based on the negotiated railcar sales contracts. The Company typically warrants that new railcars produced by it will be free from defects in material and workmanship under normal use and service identified for a period of up to five years from the time of sale. The changes in the warranty reserve for the three and nine months ended September 30, 2015 and 2014, are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	**2014**	**2015**	**2014**
Balance at the beginning of the period	$ 8,657	$ 8,158	$ 8,742	$ 6,957
Provision for warranties issued during the period	998	711	2,234	1,501
Reductions for payments, cost of repairs and other	(327)	(219)	(1,308)	(480)
Adjustments to prior warranties	(23)	41	(363)	713
Balance at the end of the period	$ 9,305	$ 8,691	$ 9,305	$ 8,691

Note 12 State and Local Incentives

The Company records state and local incentives when there is reasonable assurance that the incentive will be received and the Company is able to comply with the conditions attached to the incentives received. State and local incentives related to assets are recorded as deferred income and recognized on a straight-line basis over the useful life of the

related assets of seven to nine years.

During the nine months ended September 30, 2015, the Company received cash payments of $15,733 for Alabama state and local incentives related to the Company s capital investment and employment levels at its Cherokee, Alabama (Shoals) facility. Under the incentive agreements, a certain portion of the incentives may be repayable by the Company if targeted levels of employment are not maintained. The Company s level of employment at its Shoals facility currently exceeds and is expected to continue to exceed the targeted levels of employment.

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The changes in deferred income from state incentives for the three and nine months ended September 30, 2015 and 2014, are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Balance at the beginning of the period	$ 4,556	$	$	$
State and local incentives received during the period	10,826		15,733	
Recognition of state and local incentives as reduction of cost of sales	(532)		(883)	
Balance at the end of the period, including current portion	$ 14,850	$	$ 14,850	$

Note 13 Revolving Credit Facility

The Company entered into a $50,000 senior secured revolving credit facility (the Revolving Credit Facility) pursuant to a Credit Agreement dated as of July 26, 2013 (the Credit Agreement) by and among FreightCar and certain of its subsidiaries, as borrowers (together the Borrowers), and Bank of America, N.A., as lender. The Revolving Credit Facility can be used for general corporate purposes, including working capital. As of September 30, 2015, the Company had no borrowings under the Revolving Credit Facility. The Credit Agreement also contains a sub-facility for letters of credit not to exceed the lesser of $30,000 and the amount of the senior secured revolving credit facility at such time. As of September 30, 2015, the Company had $6,896 in outstanding letters of credit under the Revolving Credit Facility and therefore had $43,104 available for borrowing under the Revolving Credit Facility. The Credit Agreement has a term ending on July 26, 2016 and revolving loans outstanding thereunder will bear interest at a rate of LIBOR plus an applicable margin of 1.50% or at a base rate, as selected by the Company. Base rate loans will bear interest at the highest of (a) the federal funds rate plus 0.50%, (b) the prime rate or (c) LIBOR plus 1.00%. The Company is required to pay a non-utilization fee of between 0.10% and 0.30% on the unused portion of the revolving loan commitment depending on the Company s quarterly average balance of unrestricted cash and the Company s consolidated leverage ratio. Borrowings under the Revolving Credit Facility are secured by a first priority perfected security interest in substantially all of the Borrowers assets excluding railcars held by the Company s railcar leasing subsidiary, JAIX. The Borrowers also have pledged all of the equity interests in the Company s direct and indirect domestic subsidiaries as security for the Revolving Credit Facility. The Credit Agreement has both affirmative and negative covenants, including, without limitation, a covenant requiring minimum consolidated net liquidity of $35,000 and limitations on indebtedness, liens and investments. The Credit Agreement also provides for customary events of default.

As of December 31, 2014, the Company had $6,015 in outstanding letters of credit under the Revolving Credit Facility and therefore had $43,985 available for borrowing under the Revolving Credit Facility. As of December 31, 2014, the Company had no borrowings under the Revolving Credit Facility.

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Note 14 Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) consist of the following:

	Pre-Tax	Tax	Net of Tax
Three months ended September 30, 2015			
Pension liability activity:			
Reclassification adjustment for amortization of net loss (pre-tax cost of sales of $83 and selling, general and administrative expenses of $27)	$ 110	$ 39	$ 71
Postretirement liability activity:			
Reclassification adjustment for amortization of net loss (pre-tax cost of sales of $142 and selling, general and administrative expenses of $20)	162	56	106
Reclassification adjustment for amortization of prior service cost (pre-tax cost of sales of $9 and selling, general and administrative expenses of $1)	10	4	6
	$ 282	$ 99	$ 183

	Pre-Tax	Tax	Net of Tax
Three months ended September 30, 2014			
Pension liability activity:			
Reclassification adjustment for amortization of net loss (pre-tax cost of sales of $44 and selling, general and administrative expenses of $9)	$ 53	$ 19	$ 34
Postretirement liability activity:			
Reclassification adjustment for amortization of net loss (pre-tax cost of sales of $82 and selling, general and administrative expenses of $10)	92	32	60
Reclassification adjustment for amortization of prior service cost (pre-tax cost of sales of $54 and selling, general and administrative expenses of $6)	60	21	39
	$ 205	$ 72	$ 133

	Pre-Tax	Tax	Net of Tax
Nine months ended September 30, 2015			
Pension liability activity:			
Reclassification adjustment for amortization of net loss (pre-tax cost of sales of $250 and selling, general and administrative expenses of $80)	$ 330	$ 125	$ 205

Postretirement liability activity:			
Reclassification adjustment for amortization of net loss (pre-tax cost of sales of $426 and selling, general and administrative expenses of $60)	486	180	306
Reclassification adjustment for amortization of prior service cost (pre-tax cost of sales of $27 and selling, general and administrative expenses of $4)	31	11	20
	$ 847	$ 316	$ 531

	Pre-Tax	Tax	Net of Tax
Nine months ended September 30, 2014			
Pension liability activity:			
Reclassification adjustment for amortization of net loss (pre-tax cost of sales of $133 and selling, general and administrative expenses of $26)	$ 159	$ 57	$ 102
Postretirement liability activity:			
Reclassification adjustment for amortization of net loss (pre-tax cost of sales of $248 and selling, general and administrative expenses of $30)	278	98	180
Reclassification adjustment for amortization of prior service cost (pre-tax cost of sales of $162 and selling, general and administrative expenses of $18)	180	63	117
	$ 617	$ 218	$ 399

The components of accumulated other comprehensive loss consist of the following:

	September 30, 2015	December 31, 2014
Unrecognized pension cost, net of tax of $6,400 and $6,525	$ (10,433)	$ (10,638)
Unrecognized postretirement cost, net of tax of $7,795 and $7,986	(13,053)	(13,379)
	$ (23,486)	$ (24,017)

Note 15 Stock-Based Compensation

The Company recognizes stock-based compensation expense for stock option awards based on the fair value of the award on the grant date using the Black-Scholes option valuation model. Expected life in years for all stock options awards was determined using the simplified method. The Company believes that it is appropriate to use the simplified method in determining the expected life for options because the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term for stock options and due to the limited number of stock option grants to date. Expected volatility was based on the historical volatility of the Company s stock. The risk-free interest rate was based on the U.S. Treasury bond rate for the expected life of the option. The expected dividend yield was based on the latest annualized dividend rate and the current market price of the underlying common stock on the date of the grant. The Company recognizes stock-based compensation for restricted stock awards over the vesting period based on the fair market value of the stock on the date of the award, calculated as the average of the high and low trading prices for the Company s common stock on the award date.

Total stock-based compensation was $508 and $476 for the three months ended September 30, 2015 and 2014, respectively, and $1,686 and $1,576 for the nine months ended September 30, 2015 and 2014, respectively. As of September 30, 2015, there was $2,556 of unearned compensation expense related to stock options and restricted stock awards, which will be recognized over the remaining requisite service period of 27 months.

Note 16 Employee Benefit Plans

The Company has qualified, defined benefit pension plans that were established to provide benefits to certain employees. These plans are frozen and participants are no longer accruing benefits. The Company also provides certain postretirement health care benefits for certain of its salaried and hourly retired employees. Generally, employees may become eligible for health care benefits if they retire after attaining specified age and service requirements. These benefits are subject to deductibles, co-payment provisions and other limitations.

A substantial portion of the Company s postretirement benefit plan obligation relates to an expired settlement agreement with the union representing employees at the Company s and its predecessors Johnstown manufacturing facilities. The terms of that settlement agreement (the 2005 Settlement Agreement) required the Company to pay until November 30, 2012 certain monthly amounts toward the cost of retiree health care coverage. The Company engaged in voluntary negotiations for two years in an effort to reach a consensual agreement related to the expired 2005 Settlement Agreement but no agreement was reached. The Company terminated, effective November 1, 2013, its contributions for medical coverage and life insurance benefits to affected retirees and thereafter sought declaratory

relief to confirm the Company s rights under the Employee Retirement Income Security Act of 1974, as amended (ERISA), to reduce or terminate retiree medical coverage and life insurance benefits pursuant to the plans that were the subject of the 2005 Settlement Agreement. On July 9, 2013, the union and certain retiree defendants filed suit in the United States District Court for the Western District of Pennsylvania regarding the same dispute (see Note 17). On August 15, 2015, the parties reached a settlement in principle of that dispute, which must be approved by the Court. Until final approval is obtained, the outcome of the pending litigation cannot be determined. The Company s recorded postretirement benefit plan obligation assumes for accounting purposes a continuation of those monthly payments after November 30, 2012 (as was permitted under the settlement). However, the Company s postretirement benefit plan obligation could significantly increase or decrease as a result of the litigation depending upon whether the parties preliminary settlement agreement is approved by the Pennsylvania court (see Note 17).

Generally, contributions to the plans are not less than the minimum amounts required under ERISA and not more than the maximum amount that can be deducted for federal income tax purposes. The plans assets are held by independent trustees and consist primarily of equity and fixed income securities.

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The components of net periodic benefit cost (benefit) for the three and nine months ended September 30, 2015 and 2014, are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Pension Benefits				
Interest cost	$ 580	$ 661	$ 1,740	$ 1,983
Expected return on plan assets	(761)	(905)	(2,283)	(2,715)
Amortization of unrecognized net loss	110	53	330	159
	$ (71)	$ (191)	$ (213)	$ (573)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Postretirement Benefit Plan				
Service cost	$ 17	$ 16	$ 51	$ 48
Interest cost	743	750	2,229	2,250
Amortization of prior service cost	10	60	31	180
Amortization of unrecognized net loss	162	92	486	278
	$ 932	$ 918	$ 2,797	$ 2,756

The Company made contributions to the Company s defined benefit pension plans of $0 and $108 for the three months ended September 30, 2015 and 2014, respectively, and $0 and $217 for the nine months ended September 30, 2015 and 2014, respectively. The Company expects to make no contributions to its pension plans in 2015.

The Company made contributions to the Company s postretirement benefit plan of $99 and $107 for the three months ended September 30, 2015 and 2014, respectively, and $294 and $323 for the nine months ended September 30, 2015 and 2014, respectively. The Company expects to make $409 in contributions (including contributions already made) to its postretirement benefit plan in 2015 for salaried retirees. However, because the Company s postretirement benefit plan obligation is currently subject to litigation, the postretirement benefit contributions for hourly retirees, if any, are unknown at this time.

The Company also maintains qualified defined contribution plans, which provide benefits to employees based on employee contributions, employee earnings or certain subsidiary earnings, with discretionary contributions allowed. Expenses related to these plans were $836 and $443 for the three months ended September 30, 2015 and 2014, respectively, and $2,199 and $1,142 for the nine months ended September 30, 2015 and 2014, respectively.

Note 17 Contingencies

The Company is involved in various warranty and repair claims and, in certain cases, related pending and threatened legal proceedings with its customers in the normal course of business. In the opinion of management, the Company s potential losses in excess of the accrued warranty and legal provisions, if any, are not expected to be material to the Company s consolidated financial condition, results of operations or cash flows.

On July 8, 2013, the Company filed a Complaint for Declaratory Judgment (the Complaint) in the United States District Court for the Northern District of Illinois, Eastern Division (the Illinois Court). The case names as defendants the United Steel, Paper & Forestry, Rubber, Manufacturing, Energy, Allied Industrial & Services Workers International Union, AFL-CIO, CLC (the USW), as well as approximately 650 individual Retiree Defendants (as defined in the Complaint), and was assigned Case No 1:13-cv-4889.

As described in the Complaint, pursuant to the 2005 Settlement Agreement among the Company, the USW and the Retiree Defendants, the Company agreed to make certain levels of contributions to medical coverage for the Retiree Defendants and to continue to provide life insurance benefits at their amount at that time under certain of the Company s employee welfare benefit plans. The 2005 Settlement Agreement expressly provided that, as of November 30, 2012, the Company could cease making these contributions. In June 2011, the Company and the USW began discussing the possibility of an extension beyond November 30, 2012 for the Company s contributions to retiree medical coverage and life insurance benefits at a reduced amount and on other mutually acceptable terms. The Company engaged in voluntary negotiations for two years with the USW and counsel for the Retiree Defendants in an effort to reach a consensual agreement regarding such medical and life insurance benefits, but the parties were unable to reach a final agreement. The Company terminated, effective November 1, 2013, its contributions for medical coverage provided to the Retiree Defendants and the provision of life insurance benefits and is seeking declaratory relief to confirm its rights under ERISA to reduce or terminate retiree medical coverage and life insurance benefits pursuant to the plans that were the subject of the 2005 Settlement Agreement.

On July 9, 2013, the USW and certain Retiree Defendants (collectively, the Pennsylvania Plaintiffs) filed a putative class action in the United States District Court for the Western District of Pennsylvania (the Pennsylvania Court), captioned as *Zanghi, et al. v. FreightCar America, Inc., et al.,* Case No. 3:13-cv-146. The complaint filed with the Pennsylvania Court alleges that the Company does not have the right to terminate welfare benefits previously provided to the Retiree Defendants and requests, among other relief, entry of a judgment finding that the Retiree Defendants have a vested right to specified welfare benefits.

On July 26, 2013, the Pennsylvania Plaintiffs filed with the Illinois Court a Motion to Dismiss Pursuant to Fed. R. Civ. P. 12(b) or in the Alternative, to Transfer Pursuant to 28 U.S.C. 1404(a), as well as a Motion to Stay and/or Prevent Plaintiff from Obtaining Defaults against the Retiree Defendants. On August 5, 2013, the Company filed with the Pennsylvania Court a Motion to Dismiss Pursuant to Fed. R. Civ. P. 12(b) or in the Alternative, to Transfer Pursuant to 28 U.S.C. 1404(a). On January 14, 2014, the Pennsylvania Court denied the Company s motion to dismiss and, on January 16, 2014, the Illinois Court transferred the Company s case to the Pennsylvania Court. On January 31, 2014, the Company filed a motion to consolidate both cases before the Pennsylvania Court. On April 3, 2014, the Pennsylvania Court entered an order (the Initial Procedural Order) that, among other things, consolidated both cases before the Pennsylvania Court, certified a class for purposes of the consolidated actions, established discovery parameters and deadlines and established a briefing schedule applicable to the parties cross motions for summary judgment as to liability only. On July 17, 2014, the parties filed with the Pennsylvania Court their respective motions for summary judgment as to liability. On March 30, 2015, the Pennsylvania Court issued an order denying both parties summary judgment motions. A trial was scheduled to commence on August 25, 2015 in the Pennsylvania Court but was postponed pending settlement discussions between the parties. On August 20, 2015, the Company reached a preliminary settlement agreement with the USW and the other plaintiffs and, on September 21, 2015, the class representatives, the USW and the Company filed a Joint Motion for Preliminary Approval of Class Action Settlement with the Pennsylvania Court. Pursuant to the proposed settlement agreement, the parties agreed that (1) USW will create a voluntary employee s beneficiary association trust fund (the VEBA) that will administer the payment of health and welfare benefits to class members and will be administered independently of the Company, (2) the Company will make a one-time contribution to the VEBA of $31,450, (3) the Company will pay an award for plaintiffs attorneys fees in an amount approved by the Pennsylvania Court not to exceed $1,300 (and, if the amount approved by the Pennsylvania Court is less than $1,300, the Company will contribute an amount equal to the difference to the VEBA), (4) if the Company fails to make the required payments to the VEBA prior to February 16, 2016, interest on the unpaid amounts will accrue at a rate of 5% per annum, subject to a cap of $250, and (5) class members will fully and finally release all claims against the Company in accordance with the terms of the proposed Settlement Agreement. Settlement of the lawsuit requires preliminary approval by the Pennsylvania Court and notice of the proposed settlement to class members, followed by a fairness hearing in which the Pennsylvania Court determines whether the proposed settlement is fair, reasonable and adequate. Class members have the ability to object to the proposed settlement but not to opt out of the class. The Pennsylvania Court has granted preliminary approval to the proposed settlement and notice of the proposed settlement has been provided to class members. A fairness hearing on the proposed settlement has been scheduled for January 5, 2016. The ultimate outcome of the proceedings before the Pennsylvania Court cannot be determined at this time.

On September 5, 2013, the Pennsylvania Plaintiffs and certain putative class representatives filed a Plaintiffs Motion for Temporary Restraining Order and Preliminary Injunction (the TRO Motion) with the Pennsylvania Court. In the TRO Motion, the plaintiffs requested that the Pennsylvania Court enter an injunction requiring the Company to continue to make monthly contributions at the same rate established by the 2005 Settlement Agreement until the parties dispute is fully adjudicated on the merits. Following entry of the Initial Procedural Order, the Pennsylvania Court denied the TRO Motion without prejudice.

The Company has recorded postretirement benefit plan obligations, a substantial portion of which relates to the dispute now before the Pennsylvania Court (see Note 16).

On April 17, 2015 and September 30, 2015, National Steel Car Limited filed Complaints for Patent Infringement against the Company in the United States District Court for the Northern District of Illinois. The complaints seek injunctive relief and an unspecified amount of damages. The Company believes that the complaints are without merit and intends to vigorously defend against the allegations. While the ultimate outcome of these proceedings cannot be determined at this time, it is the opinion of management that the resolution of these actions will not have a material adverse effect on the Company s financial position, results of operations or cash flows.

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In addition to the foregoing, the Company is involved in certain other pending and threatened legal proceedings, including commercial disputes and workers compensation and employee matters arising out of the conduct of its business. While the ultimate outcome of these other legal proceedings cannot be determined at this time, it is the opinion of management that the resolution of these other actions will not have a material adverse effect on the Company s financial condition, results of operations or cash flows.

Note 18 - Other Commitments

The Company leases certain property and equipment under long-term operating leases expiring at various dates through 2024. The leases generally contain specific renewal options at lease-end at the then fair market amounts.

Future minimum lease payments at September 30, 2015 are as follows:

Three months ending December 31, 2015	$ 2,592
Year ending December 31, 2016	10,154
Year ending December 31, 2017	9,817
Year ending December 31, 2018	9,865
Year ending December 31, 2019	9,926
Thereafter	28,810
	$ 71,164

The Company is liable for maintenance, insurance and similar costs under most of its leases and such costs are not included in the future minimum lease payments. Total rental expense for the three months ended September 30, 2015 and 2014, was approximately $2,606 and $2,331, respectively. Total rental expense for the nine months ended September 30, 2015 and 2014, was approximately $7,807 and $7,000, respectively.

The Company is party to non-cancelable agreements with its suppliers to purchase certain materials used in the manufacturing process. The commitments may vary based on the actual quantities ordered and be subject to the actual price when ordered. At September 30, 2015, the Company had purchase commitments under these agreements as follows:

Three months ending December 31, 2015	$ 974
Year ending December 31, 2016	8,389
Year ending December 31, 2017	8,389
Year ending December 31, 2018	
Year ending December 31, 2019	
Thereafter	
	$ 17,752

Note 19 Earnings Per Share

Shares used in the computation of the Company s basic and diluted earnings per common share are reconciled as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Weighted average common shares outstanding	12,241,211	12,007,970	12,153,313	11,999,150
Dilutive effect of employee stock options and nonvested share awards	215	100,427	54,119	89,578
Weighted average diluted common shares outstanding	12,241,426	12,108,397	12,207,432	12,088,728

Weighted average diluted common shares outstanding include the incremental shares that would be issued upon the assumed exercise of stock options and the assumed vesting of nonvested share awards. For the three months ended September 30, 2015 and 2014, 637,022 and 366,964 shares, respectively, were not included in the weighted average common shares outstanding calculation as they were anti-dilutive. For the nine months ended September 30, 2015 and 2014, 465,636 and 441,098 shares, respectively, were not included in the weighted average common shares outstanding calculation as they were anti-dilutive.

Note 20 Income Taxes

The Company s income tax provision was $8,047 for the three months ended September 30, 2015 compared to $4,608 for the three months ended September 30, 2014. The Company s effective tax rate for the three months ended September 30, 2015 was 35.2% and was higher than the statutory U.S. federal income tax rate of 35% primarily due to a blended state tax rate of 3.4%, the (2.1)% estimated impact of the domestic manufacturing deduction and the (1.1)% impact of state income tax credits. The Company s effective tax rate for the three months ended September 30, 2014 was 41.7% and was higher than the statutory U.S. federal income tax rate of 35% primarily due to a 7.5% blended state tax rate and the 1.1% impact of other differences, which were partially offset by the (1.9)% impact of changes in the valuation allowance.

The Company s income tax provision was $10,457 for the nine months ended September 30, 2015 compared to $252 for the nine months ended September 30, 2014. The Company s effective tax rate for the nine months ended September 30, 2015 was 34.2% and was lower than the statutory U.S. federal income tax rate of 35% primarily due to the (2.3)% estimated impact of the domestic manufacturing deduction, the (1.8)% impact of state income tax credits and a blended state tax rate of 3.3%. The Company s effective tax rate for the nine months ended September 30, 2014 was 18.8% and was lower than the statutory U.S. federal income tax rate of 35% primarily due to the (29.1)% impact of changes in the valuation allowance, which was partially offset by a 6.8% blended state tax rate, the 5.4% impact of changes in uncertain tax positions and 0.7% for the effect of other differences.

Note 21 Sale of Repair and Maintenance Services Business

On September 30, 2015, the Company sold its railcar repair and maintenance services business for an aggregate purchase price of $20,000. The sale included assets of FCRS, which operated the Company s railcar repair and maintenance services business, and FCSL, which owned a short-line railway. The net book value of assets that were sold was $14,283, which included accounts receivable of $2,776, inventory of $2,537, property plant and equipment of $7,740 and intangible assets of $1,230. Through September 30, 2015, FCRS and FCSL were included in the Company s Services segment. The sale will allow the Company to increase its focus on its railcar manufacturing, parts and leasing business as the Company continues to broaden its product portfolio through the introduction of new railcar types and implements operational improvements, enhancing productivity through training, technology and automation. The asset purchase agreement relating to the sale (the Asset Purchase Agreement) contains customary representations, warranties, covenants and indemnities. On September 30, 2015, $1,960 of the aggregate purchase price was placed into escrow (which is recorded as a long-term receivable) in order to secure the indemnification obligations of FCRS and FCSL under the Asset Purchase Agreement and $451 was used to settle certain liabilities of FCRS and FCSL, resulting in cash proceeds to the Company of $17,589. Twenty-five percent (25%) of the escrow amount, reduced by the amount of any pending claims, will be released to FCRS on each of the dates that are 18 months and three years after the closing date of the transaction and the remaining amount, reduced by the amount of any pending claims, will be released to FCRS on the fifth anniversary of the closing date of the transaction. As a result of the sale, the Company recorded a pre-tax gain of $4,578.

In December 2013, the Company closed its underperforming maintenance and repair shop in Clinton, Indiana, reduced the carrying values of repair shop assets to their estimated fair market value, representing the estimated salvage values of building, equipment and rail at the facility and the estimated sales value of the associated land, and recorded restructuring and impairment charges of $1,741. Sale of the repair shop assets to a strategic buyer in September 2014 resulted in a pre-tax gain of $1,078.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

OVERVIEW

You should read the following discussion in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this quarterly report on Form 10-Q. This discussion contains forward-looking statements that are based on management s current expectations, estimates and projections about our business and operations. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements. See Cautionary Statement Regarding Forward-Looking Statements.

We believe we are the leading manufacturer of aluminum-bodied railcars and coal cars in North America, based on the number of railcars delivered. Our railcar manufacturing facilities are located in Cherokee, Alabama (Shoals), Danville, Illinois and Roanoke, Virginia. Our Shoals facility is an important part of our long-term growth strategy as we continue to expand our railcar product and service offerings outside of our traditional coal car market. During the fourth quarter of 2014, we announced a $10 million expansion at our Shoals facility to add additional production capacity to meet demand for our new types of railcars. The new production capacity became operational in the second quarter of 2015. During the first nine months of 2015, we added approximately 375 employees to support increased production levels at our Shoals facility.

Additionally, we refurbish and rebuild railcars and sell forged, cast and fabricated parts for all of the railcars we produce, as well as those manufactured by others. We also lease freight cars through our JAIX Leasing Company subsidiary. As of September 30, 2015, the value of leased railcars, consisting of railcars available for lease, was $16.1 million. Our primary customers are railroads, financial institutions and shippers.

Between November 2010, when we acquired the business assets of DTE Rail Services, Inc., and September 2015, we provided railcar repair and maintenance for all types of freight railcars through our FCRS subsidiary. On September 30, 2015, we sold our railcar repair and maintenance services business. The sale will allow us to increase our focus on our railcar manufacturing, parts and leasing business as we continue to broaden our product portfolio through the introduction of new railcar types and implement operational improvements, enhancing productivity through training, technology and automation. FCRS had repair and maintenance facilities in Grand Island, Nebraska and Hastings, Nebraska and serviced freight cars and unit coal trains utilizing key rail corridors in the Western regions of the United States.

We have two reportable segments, Manufacturing and Services. Our Manufacturing segment includes new railcar manufacturing, used railcar sales, railcar leasing and major railcar rebuilds. Through September 30, 2015, our Services segment included railcar repair and maintenance and parts sales. Corporate includes administrative activities and all other non-operating activities.

Total orders for railcars in the third quarter of 2015 were 1,008 units compared to 7,375 units ordered in the third quarter of 2014. All of the orders for the third quarter of 2015 were for new railcars while orders for the third quarter of 2014 consisted of 5,165 new railcars and 2,210 rebuilt railcars. Railcar deliveries totaled 2,846 units, consisting of 2,076 new railcars and 770 rebuilt railcars, in the third quarter of 2015 compared to 2,354 units, consisting of 1,554 new railcars and 800 rebuilt railcars, in the third quarter of 2014. Total backlog of unfilled orders was 12,237 units, consisting of 11,565 new railcars and 672 rebuilt railcars, at September 30, 2015, compared to 14,791 units, consisting of 12,191 new railcars and 2,600 rebuilt railcars, at December 31, 2014. The estimated sales value of the backlog was $1,117 million and $1,269 million, respectively, as of September 30, 2015 and December 31, 2014.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2015 compared to Three Months Ended September 30, 2014

Revenues

Our consolidated revenues for the three months ended September 30, 2015 were $241.1 million compared to $190.3 million for the three months ended September 30, 2014. Manufacturing segment revenues for the three months ended September 30, 2015 were $233.3 million compared to $181.5 million for the three months ended September 30, 2014. The increase in Manufacturing segment revenues for the 2015 period compared to the 2014 period reflects the increase in the number of railcars delivered and changes in product mix. Services segment revenues for the three months ended September 30, 2015 were $7.8 million compared to $8.8 million for the three months ended September 30, 2014. The decrease in Services segment revenues for the 2015 period compared to the 2014 period reflects lower parts sales revenue, which was partially offset by higher repair volumes.

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Gross Profit

Our consolidated gross profit for the three months ended September 30, 2015 was $29.1 million compared to $18.8 million for the three months ended September 30, 2014. The increase reflects increases in gross profit from our Manufacturing segment of $10.1 million and from our Services segment of $0.3 million, which were partially offset by increases in Corporate costs of $0.2 million. The increase in gross profit for our Manufacturing segment reflects the increase in deliveries, a favorable product mix and improvement in production efficiencies. The increase in gross profit for our Services segment for the three months ended September 30, 2015 compared to the three months ended September 30, 2014 reflects higher repair volumes and changes in the mix of repair work and parts sales, which were partially offset by lower parts sales volumes. Our consolidated gross profit margin was 12.1% for the three months ended September 30, 2015 compared to 9.9% for the three months ended September 30, 2014.

Selling, General and Administrative Expenses

Consolidated selling, general and administrative expenses for the three months ended September 30, 2015 were $10.7 million compared to $9.2 million for the three months ended September 30, 2014. Selling, general and administrative expenses for the three months ended September 30, 2015 included increases in third-party sales commissions, salaries and wages, incentive compensation and legal costs. Manufacturing segment selling, general and administrative expenses for the three months ended September 30, 2015 were $2.9 million compared to $3.0 million for the three months ended September 30, 2014. Services segment selling, general and administrative expenses were $0.9 million for the three months ended September 30, 2015 compared to $0.8 million for the three months ended September 30, 2014. Corporate selling, general and administrative expenses for the three months ended September 30, 2015 were $6.9 million compared to $5.4 million for the three months ended September 30, 2014, reflecting increases in incentive compensation and legal costs.

Gain on Sale of Railcars Available for Lease

Gain on sale of railcars available for lease for the three months ended September 30, 2014 was $0.6 million and primarily represented the gain on sale of leased railcars with a net book value of $5.2 million.

Gain on Sale of Railcar Repair and Maintenance Services Business and Facility

On September 30, 2015, we sold our railcar repair and maintenance services business for an aggregate purchase price of $20.0 million. The sale included assets of FCRS, which operated our railcar repair and maintenance services business, and FCSL, which owned a short-line railway. On September 30, 2015, $2.0 million of the aggregate purchase price was placed into escrow in order to secure the indemnification obligations of FCRS and FCSL under the Asset Purchase Agreement and $0.4 million was used to pay certain liabilities of FCRS and FCSL, resulting in cash proceeds to us of $17.6 million. As a result of the sale, we recorded a pre-tax gain of $4.6 million for the three months ended September 30, 2015.

In December 2013, we closed our underperforming maintenance and repair shop in Clinton, Indiana, reduced the carrying values of repair shop assets to their estimated fair market value, representing the estimated salvage values of building, equipment and rail at the facility and the estimated sales value of the associated land, and recorded restructuring and impairment charges of $1.7 million. As a result of the sale of the repair shop assets to a strategic buyer in September 2014, we recorded a pre-tax gain of $1.1 million for the three months ended September 30, 2014.

Operating Income

Our consolidated operating income for the three months ended September 30, 2015 was $22.9 million compared to $11.3 million for the three months ended September 30, 2014. Operating income for the Manufacturing segment was $25.8 million for the three months ended September 30, 2015 compared to $16.2 million for the three months ended September 30, 2014, reflecting the increase in deliveries, a favorable product mix and improvement in production efficiencies. Services segment operating income was $5.2 million for the three months ended September 30, 2015 compared to $1.6 million for the three months ended September 30, 2014. The increase in Services segment operating income reflects the $4.6 million gain on sale of our railcar repair and maintenance services business during 2015 and the $1.1 million gain on sale of our underperforming maintenance and repair shop during 2014. Corporate costs were $8.1 million for the three months ended September 30, 2015 compared to $6.5 million for the three months ended September 30, 2014, reflecting increases in incentive compensation and legal costs.

Interest Expense and Deferred Financing Costs

Interest expense and the amortization of deferred financing costs were $0.1 million for the three months ended September 30, 2015 compared to $0.3 million for the three months ended September 30, 2014. In addition to commitment fees on our revolving credit facility, letter of credit fees and amortization of deferred financing costs, results for the 2014 period included non-cash imputed interest on a customer advance for leased railcars delivered for which revenue could not be recognized until all contingencies had been resolved.

Income Taxes

Our income tax provision was $8.0 million for the three months ended September 30, 2015 compared to $4.6 million for the three months ended September 30, 2014. Our effective tax rate for the three months ended September 30, 2015 was 35.2% and was higher than the statutory U.S. federal income tax rate of 35% primarily due to a blended state tax rate of 3.4%, the (2.1)% estimated impact of the domestic manufacturing deduction and the (1.1)% impact of state income tax credits. Our effective tax rate for the three months ended September 30, 2014 was 41.7% and was higher than the statutory U.S. federal income tax rate of 35% primarily due to a 7.5% blended state tax rate and the 1.1% impact of other differences, which were partially offset by the (1.9)% impact of changes in the valuation allowance.

Net Income

As a result of the foregoing, our net income was $14.8 million for the three months ended September 30, 2015 compared to $6.4 million for the three months ended September 30, 2014. For the three months ended September 30, 2015, our basic and diluted net income per share were $1.20 on basic and diluted shares outstanding of 12,241,211 and 12,241,426, respectively. For the three months ended September 30, 2014, our basic and diluted net income per share was $0.53 on basic and diluted shares outstanding of 12,007,970 and 12,108,397, respectively.

Nine Months Ended September 30, 2015 compared to Nine Months Ended September 30, 2014

Revenues

Our consolidated revenues for the nine months ended September 30, 2015 were $569.6 million compared to $386.1 million for the nine months ended September 30, 2014. Manufacturing segment revenues for the nine months ended September 30, 2015 were $545.4 million compared to $358.2 million for the nine months ended September 30, 2014. The increase in Manufacturing segment revenues for the 2015 period compared to the 2014 period reflects the increase in the number of railcars delivered and changes in the product mix of new railcars. Our Manufacturing segment delivered 6,516 units, consisting of 4,588 new railcars and 1,928 rebuilt railcars, for the nine months ended September 30, 2015, compared to 4,742 units, consisting of 2,677 new railcars, 1,990 rebuilt railcars and 75 leased railcars, for the nine months ended September 30, 2014. Services segment revenues for the nine months ended September 30, 2015 were $24.1 million compared to $27.8 million for the nine months ended September 30, 2014. The decrease in Services segment revenues for the 2015 period compared to the 2014 period reflects lower parts sales revenue, which was partially offset by higher repair volumes.

Gross Profit

Our consolidated gross profit for the nine months ended September 30, 2015 was $55.4 million compared to $26.7 million for the nine months ended September 30, 2014. The increase reflects increases in gross profit from our Manufacturing segment of $27.1 million and from our Services segment of $2.3 million, which were partially offset by increases in Corporate costs of $0.7 million. The increase in gross profit for our Manufacturing segment for the

nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 reflects the increase in deliveries, a higher mix of new versus rebuilt railcars, changes in the product mix of new railcars and improvement in production efficiencies. Gross profit for our Manufacturing segment for the nine months ended September 30, 2015 included approximately $2.3 million of costs associated with the continued ramp up of the additional production capacity at our Shoals facility. Manufacturing segment gross profit for the nine months ended September 30, 2014 included costs associated with the ramp up of production volumes at Shoals, carrying costs associated with our idled Danville facility and incremental costs associated with the restart of production at Danville, which together totaled $5.5 million. Manufacturing segment gross profit for the nine months ended September 30, 2014 also included the impact of multiple weather-related production shutdowns, supply disruptions and related inefficiencies totaling $1.9 million and a $0.8 million expense recorded to settle a warranty claim. The increase in gross profit for our Services segment for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 reflects higher repair volumes, which were partially offset by lower parts sales. Our consolidated gross profit margin was 9.7% for the nine months ended September 30, 2015 compared to 6.9% for the nine months ended September 30, 2014 as a result of the items noted above.

Selling, General and Administrative Expenses

Consolidated selling, general and administrative expenses for the nine months ended September 30, 2015 were $30.5 million compared to $26.3 million for the nine months ended September 30, 2014. Selling, general and administrative expenses for the nine months ended September 30, 2015 included increases in third-party sales commissions, salaries and wages, incentive compensation, legal costs and computer and data processing expenses. Manufacturing segment selling, general and administrative expenses for the nine months ended September 30, 2015 were $9.4 million compared to $8.1 million for the nine months ended September 30, 2014 primarily due to higher third-party sales commissions and salaries and wages. Services segment selling, general and administrative expenses were $2.6 million for the nine months ended September 30, 2015 compared to $2.4 million for the nine months ended September 30, 2014. Corporate selling, general and administrative expenses for the nine months ended September 30, 2015 were $18.5 million compared to $15.8 million for the nine months ended September 30, 2014, reflecting increases in salaries and wages, incentive compensation, legal costs and computer and data processing expenses.

Gain on Sale of Railcars Available for Lease

Gain on sale of railcars available for lease for the nine months ended September 30, 2015 was $1.2 million and represented the gain on sale of leased railcars with a net book value of $6.4 million. Gain on sale of railcars available for lease for the nine months ended September 30, 2014 was $0.7 million and primarily represented the gain on sale of leased railcars with a net book value of $5.2 million.

Gain on Sale of Railcar Repair and Maintenance Services Business and Facility

On September 30, 2015, we sold our railcar repair and maintenance services business for an aggregate purchase price of $20.0 million. The sale included assets of FCRS, which operated our railcar repair and maintenance services business, and FCSL, which owned a short-line railway. On September 30, 2015, $2.0 million of the aggregate purchase price was placed into escrow in order to secure the indemnification obligations of FCRS and FCSL under the Asset Purchase Agreement and $0.4 million was used to pay certain liabilities of FCRS and FCSL, resulting in cash proceeds to us of $17.6 million. As a result of the sale, we recorded a pre-tax gain of $4.6 million for the nine months ended September 30, 2015.

In December 2013, we closed our underperforming maintenance and repair shop in Clinton, Indiana, reduced the carrying values of repair shop assets to their estimated fair market value, representing the estimated salvage values of building, equipment and rail at the facility and the estimated sales value of the associated land, and recorded restructuring and impairment charges of $1.7 million. As a result of the sale of the repair shop assets to a strategic buyer in September 2014, we recorded a pre-tax gain of $1.1 million for the nine months ended September 30, 2014.

Operating Income

Our consolidated operating income for the nine months ended September 30, 2015 was $30.7 million compared to $2.2 million for the nine months ended September 30, 2014. Operating income for the Manufacturing segment was $44.9 million for the nine months ended September 30, 2015 compared to $18.6 million for the nine months ended September 30, 2014, reflecting the increase in deliveries, a higher mix of new versus rebuilt railcars, changes in the product mix of new railcars and improvement in production efficiencies. Manufacturing segment operating income for the nine months ended September 30, 2015 included approximately $2.3 million of costs associated with the continued ramp up of the additional production capacity at our Shoals facility. Manufacturing segment operating income for the nine months ended September 30, 2014 included costs associated with the ramp up of production volumes at Shoals, carrying costs associated with our idled Danville facility and incremental costs associated with the

restart of production at Danville, which together totaled $5.5 million. Manufacturing segment operating income for the nine months ended September 30, 2014 also included the impact of multiple weather-related production shutdowns, supply disruptions and related inefficiencies totaling $1.9 million and a $0.8 million expense recorded to settle a warranty claim. Services segment operating income was $7.9 million for the nine months ended September 30, 2015 compared to $2.3 million for the nine months ended September 30, 2014. The increase in Services segment operating income reflects the $4.6 million gain on sale of our railcar repair and maintenance services business during 2015 and the $1.1 million gain on sale of our underperforming maintenance and repair shop during 2014. Corporate costs were $22.1 million for the nine months ended September 30, 2015 compared to $18.7 million for the nine months ended September 30, 2014, reflecting increases in salaries and wages, incentive compensation, legal costs and computer and data processing expenses.

Interest Expense and Deferred Financing Costs

Interest expense and the amortization of deferred financing costs were $0.2 million for the nine months ended September 30, 2015 compared to $0.9 million for the nine months ended September 30, 2014. In addition to commitment fees on our revolving credit facility, letter of credit fees and amortization of deferred financing costs, results for the 2014 period included non-cash imputed interest on a customer advance for leased railcars delivered for which revenue could not be recognized until all contingencies had been resolved.

Income Taxes

Our income tax provision was $10.5 million for the nine months ended September 30, 2015 compared to $0.3 million for the nine months ended September 30, 2014. Our effective tax rate for the nine months ended September 30, 2015 was 34.2% and was lower than the statutory U.S. federal income tax rate of 35% primarily due to the (2.3)% estimated impact of the domestic manufacturing deduction, the (1.8)% impact of state income tax credits and a blended state tax rate of 3.3%. Our effective tax rate for the nine months ended September 30, 2014 was 18.8% and was lower than the statutory U.S. federal income tax rate of 35% primarily due to the (29.1)% impact of changes in the valuation allowance, which was partially offset by a 6.8% blended state tax rate, the 5.4% impact of changes in uncertain tax positions and 0.7% for the effect of other differences.

Net Income

As a result of the foregoing, our net income was $20.2 million for the nine months ended September 30, 2015 compared to $1.1 million for the nine months ended September 30, 2014. For the nine months ended September 30, 2015, our basic and diluted net income per share was $1.65 and $1.64, respectively, on basic and diluted shares outstanding of 12,153,313 and 12,207,432, respectively. For the nine months ended September 30, 2014, our basic and diluted net income per share was $0.09 on basic and diluted shares outstanding of 11,999,150 and 12,088,728, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity for the nine months ended September 30, 2015 and 2014, were our cash and cash equivalent balances on hand, our securities held to maturity and our revolving credit facility.

We entered into a $50.0 million senior secured revolving credit facility (the Revolving Credit Facility) pursuant to a Credit Agreement dated as of July 26, 2013 (the Credit Agreement) by and among us and certain of our subsidiaries, as borrowers, and Bank of America, N.A., as lender. The Revolving Credit Facility can be used for general corporate purposes, including working capital. As of September 30, 2015, we had no borrowings under the Revolving Credit Facility. The Credit Agreement also contains a sub-facility for letters of credit not to exceed the lesser of $30.0 million and the amount of the senior secured revolving credit facility at such time. As of September 30, 2015, we had $6.9 million in outstanding letters of credit under the Revolving Credit Facility and therefore had $43.1 million available for borrowing under the Revolving Credit Facility. The Credit Agreement has a term ending on July 26, 2016 and revolving loans outstanding thereunder will bear interest at a rate of LIBOR plus an applicable margin of 1.50% or at a base rate, as selected by us. Base rate loans will bear interest at the highest of (a) the federal funds rate plus 0.50%, (b) the prime rate or (c) LIBOR plus 1.00%. We are required to pay a non-utilization fee of between 0.10% and 0.30% on the unused portion of the revolving loan commitment depending on our quarterly average balance of unrestricted cash and our consolidated leverage ratio. Borrowings under the Revolving Credit Facility are secured by a first priority perfected security interest in substantially all of our and our subsidiaries assets excluding railcars held by our railcar leasing subsidiary, JAIX. We also have pledged all of the equity interests in our direct and indirect domestic

subsidiaries as security for the Revolving Credit Facility. The Credit Agreement has both affirmative and negative covenants, including, without limitation, a covenant requiring minimum consolidated net liquidity of $35.0 million and limitations on indebtedness, liens and investments. The Credit Agreement also provides for customary events of default.

As of December 31, 2014, we had $6.0 million in outstanding letters of credit under the Revolving Credit Facility and therefore had $44.0 million available for borrowing under the Revolving Credit Facility. As of December 31, 2014, we had no borrowings under the Revolving Credit Facility.

Our restricted cash and restricted certificates of deposit balance was $6.9 million as of September 30, 2015 and $6.0 million as of December 31, 2014, and consisted of cash and certificates of deposit used to collateralize standby letters of credit with respect to performance guarantees and to support our worker s compensation insurance claims. The increase in restricted cash and restricted certificates of deposit balance as of September 30, 2015 compared to December 31, 2014 was a result of increases in standby letters of credit with respect to performance guarantees and our corresponding obligation to collateralize them. The standby letters of credit outstanding as of September 30, 2015 are scheduled to expire at various dates through January 31, 2018. We expect to establish restricted cash balances and restricted certificates of deposit in future periods to minimize bank fees related to standby letters of credit.

As of September 30, 2015, the value of leased railcars, consisting of railcars available for lease, was $16.1 million. We continue to offer railcars for lease to certain customers and pursue opportunities to sell leased railcars in our portfolio.

Based on our current level of operations and known changes in planned volume based on our backlog, we believe that our operating cash flows, our marketable securities and our cash balances, together with amounts available under our revolving credit facility, will be sufficient to meet our expected liquidity needs. Our long-term liquidity is contingent upon future operating performance and our ability to continue to meet financial covenants under our revolving credit facility and any other indebtedness. We may also require additional capital in the future to fund working capital as demand for railcars increases, payments for contractual obligations, organic growth opportunities, including new plant and equipment and development of railcars, joint ventures, international expansion and acquisitions, and these capital requirements could be substantial.

Our long-term liquidity needs also depend to a significant extent on our obligations related to our pension and welfare benefit plans. We provide pension and retiree welfare benefits to certain salaried and hourly employees upon their retirement. Benefits under our pension plans are now frozen and will not be impacted by increases due to future service. The most significant assumptions used in determining our net periodic benefit costs are the discount rate used on our pension and postretirement welfare obligations and expected return on pension plan assets. As of December 31, 2014, our benefit obligation under our defined benefit pension plans and our postretirement benefit plan was $58.0 million and $73.9 million, respectively, which exceeded the fair value of plan assets by $7.2 million and $73.9 million, respectively. We made no contributions to our defined benefit pension plans during the nine months ended September 30, 2015. As disclosed in Note 16 to the condensed consolidated financial statements, we expect to make no contributions to our defined benefit pension plans in 2015. The Pension Protection Act of 2006 provides for changes to the method of valuing pension plan assets and liabilities for funding purposes as well as minimum funding levels. Our defined benefit pension plans are in compliance with the minimum funding levels established in the Pension Protection Act. Funding levels will be affected by future contributions, investment returns on plan assets, growth in plan liabilities, interest rates and mortality estimates. Assuming that the plans are fully funded as that term is defined in the Pension Protection Act, we will be required to fund the ongoing growth in plan liabilities on an annual basis.

We made contributions to our postretirement benefit plan of $0.3 million for the nine months ended September 30, 2015 for salaried retirees. We expect to make $0.4 million in contributions (including contributions already made) to our postretirement benefit plan in 2015 for salaried retirees. However, because our postretirement benefit plan obligation is currently subject to litigation the postretirement benefit payments for hourly retirees, if any, are unknown at this time. A substantial portion of our postretirement benefit plan obligation relates to an expired settlement agreement with the union representing employees at the Company s and its predecessors Johnstown manufacturing facilities. The terms of that settlement agreement (the 2005 Settlement Agreement), required us to pay until November 30, 2012 certain monthly amounts toward the cost of retiree health care coverage. We engaged in voluntary negotiations for two years in an effort to reach a consensual agreement related to the expired 2005 Settlement

Agreement but no agreements were reached. We terminated, effective November 1, 2013, our contributions for medical coverage and life insurance benefits to affected retirees and are seeking declaratory relief to confirm our rights under the Employee Retirement Income Security Act of 1974, as amended (ERISA), to reduce or terminate retiree medical coverage and life insurance benefits pursuant to the plans that were the subject of the 2005 Settlement Agreement. On July 9, 2013, the union and certain retiree defendants filed suit in the United States District Court for the Western District of Pennsylvania regarding the same dispute (see Note 17 to the condensed consolidated financial statements). On August 20, 2015, we reached a preliminary settlement agreement with the United Steel Workers International Union and other plaintiffs in connection with the pending litigation and, on September 21, 2015, the parties filed a Joint Motion for Preliminary Approval of Class Action Settlement with the Pennsylvania Court. Under the terms of the preliminary settlement agreement, we will make a one-time cash payment of $32.8 million in exchange for full and final resolution of the matter. The court gave preliminary approval to the settlement on September 28, 2015 and a final fairness hearing is scheduled for January 5, 2016. Since the settlement will not be effective until full and final class action approval has been granted by the court, the ultimate outcome of this matter cannot be determined at this time. We anticipate funding pension plan contributions, postretirement benefit plan payments and payment of the $32.8 million settlement amount, following receipt of final court approval, with cash from operations and available cash.

Based upon our operating performance, capital requirements and obligations under our pension and welfare benefit plans, we may, from time to time, be required to raise additional funds through additional offerings of our common stock and through long-term borrowings. There can be no assurance that long-term debt, if needed, will be available on terms attractive to us, or at all. Furthermore, any additional equity financing may be dilutive to stockholders and debt financing, if available, may involve restrictive covenants. Our failure to raise capital if and when needed could have a material adverse effect on our results of operations and financial condition.

Contractual Obligations

The following table summarizes our contractual obligations as of September 30, 2015 and the effect that these obligations and commitments would be expected to have on our liquidity and cash flow in future periods:

	Payments Due by Period				
Contractual Obligations	**Total**	**1 Year**	**2-3 Years**	**4-5 Years**	**After 5 Years**
	(In thousands)				
Operating leases	$ 71,164	$ 10,223	$ 19,738	$ 19,894	$ 21,309
Material and component purchases	17,752	7,266	10,486		
Total	$ 88,916	$ 17,489	$ 30,224	$ 19,894	$ 21,309

Material and component purchases consist of non-cancelable agreements with suppliers to purchase materials used in the manufacturing process. The estimated amounts above may vary based on the actual quantities and price.

The above table excludes $4.2 million related to a reserve for unrecognized tax benefits and accrued interest and penalties at September 30, 2015 because the timing of the payout of these amounts cannot be determined. We are also required to make minimum contributions to our pension plans and postretirement welfare plans as described above. The above table also excludes the $32.8 million one-time cash payment related to the 2015 preliminary settlement agreement described above, since final court approval of the settlement has not yet been received.

Cash Flows

The following table summarizes our net cash (used in) provided by operating activities, investing activities and financing activities for the nine months ended September 30, 2015 and 2014:

	Nine Months Ended September 30, 2015	2014
	(In thousands)	
Net cash (used in) provided by:		
Operating activities	$ (61,013)	$ (108,341)
Investing activities	41,941	(7,424)
Financing activities	537	(3,287)
Total	$ (18,535)	$ (119,052)

Operating Activities. Our net cash used in operating activities reflects net income or loss adjusted for non-cash charges and changes in operating assets and liabilities. Cash flows from operating activities are affected by several factors, including fluctuations in business volume, contract terms for billings and collections, the timing of collections on our contract receivables, processing of bi-weekly payroll and associated taxes, and payments to our suppliers. As some of our customers accept delivery of new railcars in train-set quantities, variations in our sales lead to significant fluctuations in our operating profits and cash from operating activities. We do not usually experience business credit issues, although a payment may be delayed pending completion of closing documentation.

Our net cash used in operating activities for the nine months ended September 30, 2015 was $61.0 million compared to $108.3 million for the nine months ended September 30, 2014. Net cash used in operating activities for the nine months ended September 30, 2015 was driven primarily by an increase in working capital, including a $63.5 million increase in inventory. The increase in inventory for the nine months ended September 30, 2015 included increases to support higher production levels and $2.8 million in finished railcars that were not yet delivered to customers. Net cash used in operating activities for the nine months ended September 30, 2015 also reflects a decrease in customer deposits of $33.3 million, reflecting the delivery of railcars during 2015 for which advance payments were received from customers during the fourth quarter of 2014. Net cash used in operating activities for the nine months ended September 30, 2014 was driven primarily by an increase in working capital, including a $46.2 million increase in inventory and inventory on lease, a $29.5 million increase in accounts receivable and a $91.1 million decrease in customer deposits, partially offset by a $47.9 million increase in accounts and contractual payables. Changes in inventory and accounts and contractual payables primarily represents purchases of materials to support increased production levels, while the reduction in customer deposits reflects the delivery of railcars during 2014 for which a prepayment was received from the customer during the fourth quarter of 2013. The increase in accounts receivable for the nine months ended September 30, 2014 reflects increased deliveries under customary payment terms.

Investing Activities. Net cash provided by investing activities for the nine months ended September 30, 2015 was $41.9 million compared to net cash used in investing activities for the nine months ended September 30, 2014 of $7.4 million. Net cash provided by investing activities for the nine months ended September 30, 2015 included proceeds from maturity of securities (net of purchases) of $18.0 million, proceeds from the sale of our railcar repair and maintenance services business and facility of $17.6 million, state and local incentives received of $15.7 million and proceeds from sale of railcars available for lease of $7.6 million, which were partially offset by purchases of property, plant and equipment of $16.2 million (primarily capital investments for our Shoals facility) and purchases of restricted certificates of deposit of $0.9 million (net of maturities). Net cash used in investing activities for the nine months ended September 30, 2014 included purchases of securities held to maturity of $9.0 million (net of proceeds from redemptions) and purchases of property, plant and equipment of $8.2 million (primarily purchases of equipment for our Shoals facility), which were partially offset by proceeds from the sale of our closed railcar maintenance and repair facility of $2.1 million and proceeds from the sale of railcars available for lease of $5.9 million. Net cash used in operating activities for the nine months ended September 30, 2014 also included restricted cash withdrawals (net of deposits) of $1.8 million related to decreases in collateralization obligations with respect to letters of credit for performance guarantees.

Financing Activities. Net cash provided by financing activities for the nine months ended September 30, 2015 was $0.5 million compared to net cash used in financing activities for the nine months ended September 30, 2014 of $3.3 million. Net cash provided by financing activities for the nine months ended September 30, 2015 included proceeds from exercise of employee stock options of $4.9 million, which were partially offset by cash dividends paid to our stockholders of $3.3 million. Net cash used in financing activities for the nine months ended September 30, 2014 primarily included cash dividends paid to our stockholders of $2.2 million and repayment of a customer advance of $1.0 million.

Capital Expenditures

Our capital expenditures were $16.2 million in the nine months ended September 30, 2015 compared to $8.2 million in the nine months ended September 30, 2014. Capital expenditures were primarily capital investments for our Shoals facility, which continued to ramp up production during 2014 and 2015. Excluding unforeseen expenditures, management expects that total capital expenditures will be approximately $18 million for 2015 (including amounts already paid). With the additional capital investment to add the new production capacity in our Shoals facility to meet demand for our new types of railcars, our total investment in the Shoals facility will be approximately $33 million.

The new production capacity became operational early in the second quarter of 2015.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains certain forward-looking statements including, in particular, statements about our plans, strategies and prospects. We have used the words may, will, expect, anticipate, believe, estima plan, intend and similar expressions in this report to identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. Our actual results could differ materially from those projected in the forward-looking statements.

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Our forward-looking statements are subject to risks and uncertainties, including:

- the cyclical nature of our business;
- the competitive nature of our industry;
- our reliance upon a small number of customers that represent a large percentage of our sales;
- the variable purchase patterns of our customers and the timing of completion, delivery and customer acceptance of orders;
- our ability to maintain relationships with our suppliers of railcar components;
- the availability and price of used railcars offered for sale and new or used railcars offered for lease;
- fluctuating costs of raw materials, including steel and aluminum, and delays in the delivery of raw materials;
- limitations on the supply of railcar components;
- our reliance on the sales of our coal cars;
- international economic and political risks to the extent we expand our sales or products and services internationally;
- the risk of lack of acceptance of our new railcar offerings by our customers;
- our reported backlog may not indicate what our future sales will be;
- potential significant warranty claims;
- our ability to successfully integrate our Shoals facility or any acquired business with our existing business;

- shortages of skilled labor;
- our ability to manage our postretirement benefit and pension costs;
- risks relating to our relationship with our unionized employees and their unions;
- cybersecurity risks relating to our information technology and other systems;
- the cost of complying with environmental laws and regulations; and
- various covenants in the agreement governing our indebtedness that limit our management s discretion in the operation of our businesses.

Our actual results could be different from the results described in or anticipated by our forward-looking statements due to the inherent uncertainty of estimates, forecasts and projections and may be better or worse than anticipated. Given these uncertainties, you should not rely on forward-looking statements. Forward-looking statements represent our estimates and assumptions only as of the date that they were made. We expressly disclaim any duty to provide updates to forward-looking statements, and the estimates and assumptions associated with them, in order to reflect changes in circumstances or expectations or the occurrence of unanticipated events except to the extent required by applicable securities laws. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed under Item 1A, Risk Factors in our annual report on Form 10-K for the year ended December 31, 2014 filed with the Securities and Exchange Commission.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We have a $50.0 million senior secured revolving credit facility, the proceeds of which can be used for general corporate purposes, including working capital. On an annual basis, a 1% change in the interest rate in our revolving credit facility will increase or decrease our interest expense by $10,000 for every $1.0 million of outstanding borrowings. As of September 30, 2015, we had $6.9 million in outstanding letters of credit under the Revolving Credit Facility and therefore had $43.1 million available for borrowing under the Revolving Credit Facility.

The production of railcars and our operations require substantial amounts of aluminum and steel. The cost of aluminum, steel and all other materials (including scrap metal) used in the production of our railcars represents a significant majority of our direct manufacturing costs. Our business is subject to the risk of price increases and periodic delays in the delivery of aluminum, steel and other materials, all of which are beyond our control. Any fluctuations in the price or availability of aluminum or steel, or any other material used in the production of our railcars, may have a material adverse effect on our business, results of operations or financial condition. In addition, if any of our suppliers were unable to continue its business or were to seek bankruptcy relief, the availability or price of the materials we use could be adversely affected. When market conditions permit us to do so, we negotiate contracts with our customers that allow for variable pricing to protect us against future changes in the cost of raw materials. When raw material prices increase rapidly or to levels significantly higher than normal, we may not be able to pass price increases through to our customers, which could adversely affect our operating margins and cash flows.

We are not exposed to any significant foreign currency exchange risks as our general policy is to denominate foreign sales and purchases in U.S. dollars.

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Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our Chief Executive Officer and Principal Financial Officer, our management evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of the end of the period covered by this quarterly report on Form 10-Q (the Evaluation Date). Based upon that evaluation, our Chief Executive Officer and Principal Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission s rules and forms.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

On July 8, 2013, we filed a Complaint for Declaratory Judgment (the Complaint) in the United States District Court for the Northern District of Illinois, Eastern Division (the Court). The case names as defendants the United Steel, Paper & Forestry, Rubber, Manufacturing, Energy, Allied Industrial & Services Workers International Union, AFL-CIO, CLC (the USW), as well as approximately 650 individual Retiree Defendants (as defined in the Complaint), and was assigned Case No. 1:13-cv-4889.

As described in the Complaint, pursuant to a settlement agreement (the 2005 Settlement Agreement) among the Company, the USW and the Retiree Defendants, we agreed to make certain levels of contributions to medical coverage for the Retiree Defendants and to continue to provide life insurance benefits at their amount at that time under certain of our employee welfare benefit plans. The 2005 Settlement Agreement expressly provided that, as of November 30, 2012, we could cease making these contributions. In June 2011, the Company and the USW began discussing the possibility of an extension beyond November 30, 2012 for our contributions to retiree medical coverage and life insurance benefits at a reduced amount and on other mutually acceptable terms. We engaged in voluntary negotiations for two years with the USW and counsel for the Retiree Defendants in an effort to reach a consensual agreement regarding such medical and life insurance benefits, but the parties were unable to reach a final agreement. We terminated, effective November 1, 2013, our contributions for medical coverage provided to the Retiree Defendants and the provision of life insurance benefits and are seeking declaratory relief to confirm our rights under ERISA to reduce or terminate retiree medical coverage and life insurance benefits pursuant to the plans that were the subject of the 2005 Settlement Agreement.

On July 9, 2013, the USW and certain Retiree Defendants (collectively, the Pennsylvania Plaintiffs) filed a putative class action in the United States District Court for the Western District of Pennsylvania (the Pennsylvania Court), captioned as Zanghi, et al. v. FreightCar America, Inc., et al., Case No. 3:13-cv-146. The complaint filed with the Pennsylvania Court alleges that we do not have the right to terminate welfare benefits previously provided to the Retiree Defendants and requests, among other relief, entry of a judgment finding that the Retiree Defendants have a vested right to specified welfare benefits.

On July 26, 2013, the Pennsylvania Plaintiffs filed with the Illinois Court a Motion to Dismiss Pursuant to Fed. R. Civ. P. 12(b) or in the Alternative, to Transfer Pursuant to 28 U.S.C. 1404(a), as well as a Motion to Stay and/or Prevent Plaintiff from Obtaining Defaults against the Retiree Defendants. On August 5, 2013, we filed with the Pennsylvania Court a Motion to Dismiss Pursuant to Fed. R. Civ P. 12(b) or in the Alternative, to Transfer Pursuant to 28 U.S.C. 1404(a). On January 14, 2014, the Pennsylvania Court denied our motion to dismiss and, on January 16, 2014, the Illinois Court transferred our case to the Pennsylvania Court. On January 31, 2014, we filed a motion to consolidate both cases before the Pennsylvania Court. On April 3, 2014, the Pennsylvania Court entered an order (the Initial Procedural Order) that, among other things, consolidated both cases before the Pennsylvania Court, certified a class for purposes of the consolidated actions, established discovery parameters and deadlines, and established a briefing schedule applicable to the parties cross motions for summary judgment as to liability only. On July 17, 2014, the parties filed with the Pennsylvania Court their respective motions for summary judgment as to liability. On March 30, 2015, the Pennsylvania Court issued an order denying both parties summary judgment motions. A trial was scheduled to commence on August 25, 2015 in the Pennsylvania Court but was postponed pending settlement discussions between the parties. On August 20, 2015, the Company reached a preliminary settlement agreement with the USW and the other plaintiffs and, on September 21, 2015, the class representatives, the USW and the Company filed a Joint Motion for Preliminary Approval of Class Action Settlement with the Pennsylvania Court. Pursuant to the proposed settlement agreement the parties agreed that, (1) USW will create a voluntary employee s beneficiary association trust fund (the VEBA) that will administer the payment of health and welfare benefits to class members and will be administered independently of the Company, (2) the Company will make a one-time contribution to the

VEBA of $31,450,000, (3) the Company will pay an award for plaintiffs attorneys fees in an amount approved by the Pennsylvania Court not to exceed $1,300,000 (and, if the amount approved by the Pennsylvania Court is less than $1,300,000, the Company will contribute an amount equal to the difference to the VEBA), (4) if the Company fails to make the required payments to the VEBA prior to February 16, 2016, interest on the unpaid amounts will accrue at a rate of 5% per annum, subject to a cap of $250,000, and (5) class members will fully and finally release all claims against the Company in accordance with the terms of the proposed Settlement Agreement. Settlement of the lawsuit requires preliminary approval by the Pennsylvania Court and notice of the proposed settlement to class members, followed by a fairness hearing in which the Pennsylvania Court determines whether the proposed settlement is fair, reasonable and adequate. Class members have the ability to object to the proposed settlement but not to opt out of the class. The Pennsylvania Court has granted preliminary approval to the proposed settlement and notice of the proposed settlement has been provided to class members. A fairness hearing on the proposed settlement has been scheduled for January 5, 2016. The ultimate outcome of the proceedings before the Pennsylvania Court cannot be determined at this time.

On September 5, 2013, the Pennsylvania Plaintiffs filed a Plaintiffs Motion for Temporary Restraining Order and Preliminary Injunction (the TRO Motion) with the Pennsylvania Court. In the TRO Motion, the plaintiffs requested that the Pennsylvania Court enter an injunction requiring us to continue to make monthly contributions at the same rate established by the 2005 Settlement Agreement until the parties dispute is fully adjudicated on the merits. Following entry of the Initial Procedural Order, the Pennsylvania Court denied the TRO Motion without prejudice.

We have recorded postretirement benefit plan obligations, a substantial portion of which relate to the dispute now before the Pennsylvania Court (see Note 16 to the condensed consolidated financial statements).

On April 17, 2015 and September 30, 2015, National Steel Car Limited filed Complaints for Patent Infringement against us in the United States District Court for the Northern District of Illinois. The complaints seek injunctive relief and an unspecified amount of damages. We believe that the complaints are without merit and intend to vigorously defend against the allegations. While the ultimate outcome of these proceedings cannot be determined at this time, it is the opinion of management that the resolution of these actions will not have a material adverse effect on our financial position, results of operations or cash flows.

In addition to the foregoing, we are involved in certain other pending and threatened legal proceedings, including commercial disputes and workers compensation and employee matters arising out of the conduct of our business. While the ultimate outcome of these other legal proceedings cannot be determined at this time, it is the opinion of management that the resolution of these other actions will not have a material adverse effect on our financial condition, results of operations or cash flows.

Item 1A. Risk Factors.

There have been no material changes from the risk factors previously disclosed in Item 1A of our 2014 annual report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

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Item 6. Exhibits.

(a) Exhibits filed as part of this Form 10-Q:

2.1	Asset Purchase Agreement, dated September 30, 2015, by and among FreightCar Rail Services, LLC, FreightCar Short Line, Inc. and ARS Nebraska, LLC.
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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SIGNATURES

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

FREIGHTCAR AMERICA, INC.

Date: November 3, 2015

By: /s/ JOSEPH E. MCNEELY
Joseph E. McNeely, President and Chief Executive Officer (Principal Executive Officer)

By: /s/ CHARLES F. AVERY, JR.
Charles F. Avery, Jr., Vice President, Finance, Chief Financial Officer and Treasurer (Principal Financial Officer)

By: /s/ JOSEPH J. MALIEKEL
Joseph J. Maliekel, Vice President and Corporate Controller (Principal Accounting Officer)

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