FreightCar America, Inc.
Form 10-Q
August 03, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2017

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

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

Large accelerated filer	Accelerated Filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
		(Do not check if a smaller reporting company)		

If an emerging growth company, indicate by a check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange

Act:

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

As of July 28, 2017, there were 12,428,313 shares of the registrant s common stock outstanding.

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FREIGHTCAR AMERICA, INC.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

FreightCar America, Inc.

Condensed Consolidated Balance Sheets

(Unaudited)

	June 30, 2017	December 31, 2016
	(in thousands, except for share and per share data)	
Assets		
Current assets		
Cash and cash equivalents	$ 101,293	$ 92,750
Restricted cash and restricted certificates of deposit	6,080	5,970
Marketable securities	30,932	
Accounts receivable, net of allowance for doubtful accounts of $46 and $22, respectively	15,433	25,207
Inventories, net	74,092	97,904
Income taxes receivable	603	13,283
Other current assets	5,915	6,056
Total current assets	234,348	241,170
Property, plant and equipment, net	42,025	46,347
Railcars available for lease, net	23,786	24,018
Goodwill	21,521	21,521
Deferred income taxes, net	5,052	4,221
Other long-term assets	1,959	1,978
Total assets	$ 328,691	$ 339,255
Liabilities and Stockholders Equity		
Current liabilities		
Accounts and contractual payables	$ 28,678	$ 34,536
Accrued payroll and other employee costs	1,862	3,117
Reserve for worker s compensation	3,941	4,444
Accrued warranty	7,973	8,324
Customer deposits and deferred revenue	216	371
Other current liabilities	3,421	3,343
Total current liabilities	46,091	54,135
Accrued pension costs	6,699	6,821
Accrued postretirement benefits, less current portion	5,775	5,769
Deferred income state and local incentives, long-term	10,271	11,380

Accrued taxes and other long-term liabilities		4,574		4,236
Total liabilities		73,410		82,341
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 June 30, 2017 and December 31, 2016)				
Common stock, $0.01 par value, 50,000,000 shares authorized, 12,731,678 shares issued at June 30, 2017 and December 31, 2016		127		127
Additional paid in capital		90,044		92,025
Treasury stock, at cost, 303,365 and 351,746 shares at June 30, 2017 and December 31, 2016, respectively		(12,030)		(14,583)
Accumulated other comprehensive loss		(8,108)		(8,163)
Retained earnings		185,248		187,508
Total stockholders equity		255,281		256,914
Total liabilities and stockholders equity	$	328,691	$	339,255

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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FreightCar America, Inc.

Condensed Consolidated Statements of Operations

(Unaudited)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
	(In thousands, except for share and per share data)			
Revenues	$ 118,672	$ 126,157	$ 258,208	$ 274,747
Cost of sales	113,344	118,080	242,990	250,783
Gross profit	5,328	8,077	15,218	23,964
Selling, general and administrative expenses	5,903	8,678	12,914	19,276
Gain on settlement of postretirement benefit plan obligation, net of plaintiffs attorneys fees				(14,306)
Restructuring and impairment charges	369		2,146	
Operating (loss) income	(944)	(601)	158	18,994
Interest expense and deferred financing costs	(30)	(41)	(72)	(86)
Other income	81	1	99	82
(Loss) income before income taxes	(893)	(641)	185	18,990
Income tax (benefit) provision	(445)	(173)	(5)	6,791
Net (loss) income	$ (448)	$ (468)	$ 190	$ 12,199
Net (loss) income per common share basic	$ (0.04)	$ (0.04)	$ 0.02	$ 0.99
Net (loss) income per common share diluted	$ (0.04)	$ (0.04)	$ 0.02	$ 0.99
Weighted average common shares outstanding basic	12,283,746	12,261,308	12,276,689	12,256,720
Weighted average common shares outstanding diluted	12,283,746	12,261,308	12,276,689	12,256,720
Dividends declared per common share	$ 0.09	$ 0.09	$ 0.18	$ 0.18

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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FreightCar America, Inc.

Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
	(In thousands)		*(In thousands)*	
Net (loss) income	$ (448)	$ (468)	$ 190	$ 12,199
Other comprehensive income:				
Pension liability adjustments, net of tax	76	81	153	162
Postretirement liability adjustments, net of tax	(49)	(41)	(98)	12,931
Other comprehensive income	27	40	55	13,093
Comprehensive (loss) income	$ (421)	$ (428)	$ 245	$ 25,292

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		Additional Paid In	Treasury Stock		Accumulated Other Comprehensive	Retained	Total Stockholders
	Shares	Amount	Capital	Shares	Amount	Loss	Earnings	Equity
Balance, December 31, 2015	12,731,678	$ 127	$ 93,939	(402,166)	$ (17,516)	$ (21,078)	$ 179,639	$ 235,111
Net income							12,199	12,199
Other comprehensive income						13,093		13,093
Restricted stock awards			(3,314)	77,296	3,314			
Forfeiture of restricted stock awards			278	(15,634)	(278)			
Employee stock settlement				(3,829)	(71)			(71)
Stock-based compensation recognized			674					674
Cash dividends							(2,226)	(2,226)
Balance, June 30, 2016	12,731,678	$ 127	$ 91,577	(344,333)	$ (14,551)	$ (7,985)	$ 189,612	$ 258,780
Balance, December 31, 2016	12,731,678	$ 127	$ 92,025	(351,746)	$ (14,583)	$ (8,163)	$ 187,508	$ 256,914
Cumulative effect of adoption of ASU 2016-09			215				(215)	
Net income							190	190
Other comprehensive income						55		55
Restricted stock awards			(2,901)	71,003	2,901			
Forfeiture of restricted stock awards			334	(21,623)	(334)			
Employee stock settlement				(999)	(14)			(14)
Stock-based compensation recognized			371					371
Cash dividends							(2,235)	(2,235)
Balance, June 30, 2017	12,731,678	$ 127	$ 90,044	(303,365)	$ (12,030)	$ (8,108)	$ 185,248	$ 255,281

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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FreightCar America, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
	(in thousands)	
Cash flows from operating activities		
Net income	$ 190	$ 12,199
Adjustments to reconcile net income to net cash flows provided by (used in) operating activities:		
Depreciation and amortization	4,672	5,117
Recognition of deferred income from state and local incentives	(1,109)	(1,064)
Gain on settlement of postretirement benefit plan obligation		(15,606)
Deferred income taxes	(862)	16,904
Stock-based compensation recognized	371	674
Other non-cash items, net	548	731
Changes in operating assets and liabilities:		
Accounts receivable	8,364	23,178
Inventories	23,388	(21,445)
Other assets	141	(6,659)
Accounts and contractual payables	(5,772)	4,486
Accrued payroll and employee benefits	(1,255)	(4,727)
Income taxes receivable/payable	12,712	(7,682)
Accrued warranty	(351)	(275)
Customer deposits and other liabilities	(243)	10,014
Payment for settlement of postretirement benefit plan obligation		(31,616)
Accrued pension costs and accrued postretirement benefits	(61)	(6,404)
Net cash flows provided by (used in) operating activities:	40,733	(22,175)
Cash flows from investing activities		
Increase in restricted cash	(360)	
Purchase of restricted certificates of deposit	(5,194)	(1,182)
Maturity of restricted certificates of deposit	5,444	2,910
Purchase of securities held to maturity	(33,915)	
Proceeds from maturity of securities	3,000	12,001
Purchase of property, plant and equipment	(445)	(8,781)
Proceeds from sale of property, plant and equipment	119	
State and local incentives received	1,410	
Net cash flows (used in) provided by investing activities:	(29,941)	4,948
Cash flows from financing activities		

Employee stock settlement		(14)		(71)
Deferred financing costs				(81)
Cash dividends paid to stockholders		(2,235)		(2,226)
Net cash flows used in financing activities:		(2,249)		(2,378)
Net increase (decrease) in cash and cash equivalents		8,543		(19,605)
Cash and cash equivalents at beginning of period		92,750		83,068
Cash and cash equivalents at end of period	$	101,293	$	63,463
Supplemental cash flow information				
Interest paid	$	43	$	24
Income taxes paid	$	85	$	4,668
Income tax refunds received	$	11,910	$	

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 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 six months ended June 30, 2017 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 2016 year-end balance sheet data was derived from the audited financial statements as of December 31, 2016. 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, 2016.

Note 3 Recent Accounting Pronouncements

In March 2017, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.* The ASU does not change how benefit costs are measured but changes where the components of net periodic benefit cost are reported within the income statement. Under ASU 2017-07, the service component of net periodic benefit cost will be included with other employee compensation costs within income from operations and other components of net periodic benefit cost will be presented separately (in one or more line items) outside of income from operations. This standard is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company does not expect the adoption of this standard to have a material impact on its financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.* Topic 350 currently requires an entity to perform a two-step test to determine the amount, if any, of goodwill impairment. The amendment in ASU 2017-04 removes the second step of the test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit s carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. This standard is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019 and early adoption is permitted. The Company is currently assessing the impact of this standard on its consolidated financial statements and related disclosures. In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*. The ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, restricted cash and restricted cash equivalents. As a result restricted cash and restricted cash equivalents will be included in beginning-of-period and end-of-period total amounts shown on the statement of cash flows and changes in restricted cash and restricted cash equivalents will no longer be included in cash flows from investing activities. This standard is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company does not expect the adoption of this standard to have a material impact on its financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation Stock Compensation (Topic 718) Improvements to Employee Share-Based Payment Accounting,* to simplify the accounting for stock compensation. The Company adopted this standard effective January 1, 2017 and, on a prospective basis, all excess tax benefits and tax deficiencies related to share-based payments are recognized as income tax expense or benefit rather than additional paid-in capital and are classified as operating activities on the consolidated statements of cash flows. Excess tax benefits and tax deficiencies are considered discrete items in the reporting period during which they occur and are not included in the estimate of the Company s annual effective tax rate. Additionally, excess tax benefits and tax deficiencies are prospectively excluded from the assumed proceeds in the calculation of diluted shares. As permitted by ASU 2016-09, the Company elected to account for forfeitures as they occur, rather than continuing to estimate expected forfeitures. This election was applied using a modified retrospective transition method whereby the cumulative effect of the change as of January 1, 2017 was recorded as a decrease of $215 to retained earnings and an increase of $215 to additional paid in capital. The adoption of this standard did not have a material impact on the Company s financial position, results of operations or cash flows.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842),* which requires a lessee to record a right-of-use asset and a lease liability for all leases with a term greater than twelve months regardless of whether the lease is classified as an operating lease or a financing lease. Leases with a term of twelve months or less will be accounted for in a similar manner to existing guidance for operating leases. This standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. The Company is currently assessing the impact of this standard on the Company s financial position, results of operations and cash flows.

In July 2015, the FASB issued 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. The adoption of this standard during the first quarter of 2017 did not have a material impact on the Company s financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which was further clarified in March 2016. The ASU outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most prior revenue recognition guidance, including industry-specific guidance. The ASU is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. Entities have the option of using either a full retrospective or a modified retrospective approach for the adoption of the new standard. The ASU is effective for annual reporting periods beginning after December 15, 2017 and early adoption for annual reporting periods beginning after December 15, 2016 is permitted.

The Company plans to adopt ASU 2014-09 effective January 1, 2018 using the modified retrospective method of adoption. Under this method, the guidance will be applied only to the most current period presented in the financial statements and the cumulative effect of initially applying the standard will result in an adjustment to the opening balance of retained earnings as of the date of adoption. The Company continues to evaluate the requirements of the standard and its impact on the Company s consolidated financial statements and disclosures. The Company expects revenue recognition policies to remain substantially unchanged as a result of adopting ASU 2014-09, although this could change based on the Company s continued evaluation.

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Note 4 Segment Information

The Company s operations comprise two operating segments, Manufacturing and Parts, and one reportable segment, Manufacturing. The Company s Manufacturing segment includes new railcar manufacturing, used railcar sales, railcar leasing and major railcar rebuilds. The Company s Parts operating segment is not significant for reporting purposes and has been combined with corporate and other non-operating activities as Corporate and Other.

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.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Revenues:				
Manufacturing	$ 116,067	$ 124,224	$ 253,807	$ 270,295
Corporate and Other	2,605	1,933	4,401	4,452
Consolidated Revenues	$ 118,672	$ 126,157	$ 258,208	$ 274,747
Operating Income:				
Manufacturing	$ 2,328	$ 5,430	$ 9,577	$ 18,212
Corporate and Other (1)	(3,272)	(6,031)	(9,419)	782
Consolidated Operating Income	(944)	(601)	158	18,994
Consolidated interest expense and deferred financing costs	(30)	(41)	(72)	(86)
Consolidated other income	81	1	99	82
Consolidated Income Before Income Taxes	$ (893)	$ (641)	$ 185	$ 18,990
Depreciation and Amortization:				
Manufacturing	$ 2,150	$ 2,033	$ 4,307	$ 4,139
Corporate and Other	185	465	365	978
Consolidated Depreciation and Amortization	$ 2,335	$ 2,498	$ 4,672	$ 5,117
Capital Expenditures:				

Manufacturing	$ 66	$ 6,295	$ 378	$ 8,671
Corporate and Other	83	39	67	110
Consolidated Capital Expenditures	$ 149	$ 6,334	$ 445	$ 8,781

	June 30, 2017	December 31, 2016
Assets:		
Manufacturing	$ 171,993	$ 211,043
Corporate and Other	151,043	110,708
Total Operating Assets	323,036	321,751
Consolidated income taxes receivable	603	13,283
Consolidated deferred income taxes, long-term	5,052	4,221
Consolidated Assets	$ 328,691	$ 339,255

(1) Results for the six months ended June 30, 2016 included a $14,306 gain on the settlement of a postretirement benefit plan obligation, net of plaintiffs attorneys fees (see Note 11).

Note 5 Fair Value Measurements

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

Recurring Fair Value Measurements	**As of June 30, 2017**			
	Level 1	**Level 2**	**Level 3**	**Total**
ASSETS:				
Cash equivalents	$ 75,292	$	$	$ 75,292
Restricted certificates of deposit	$ 5,720	$	$	$ 5,720
Escrow receivable	$	$	$ 1,420	$ 1,420

Non-Recurring Fair Value Measurements	**As of June 30, 2017**			
	Level 1	**Level 2**	**Level 3**	**Total**
ASSETS:				
Property, plant and equipment	$	$ 1,434	$	$ 1,434

Recurring Fair Value Measurements	**As of December 31, 2016**			
	Level 1	**Level 2**	**Level 3**	**Total**
ASSETS:				
Cash equivalents	$ 15,156	$	$	$ 15,156
Restricted certificates of deposit	$ 5,970	$	$	$ 5,970
Escrow receivable	$	$	$ 1,910	$ 1,910

The sale of the Company s railcar repair and maintenance services business on September 30, 2015 resulted in $1,960 of the aggregate purchase price being placed into escrow in order to secure the indemnification obligations of FCRS and FCSL. The fair market value of the escrow receivable above represents the escrow balance of $1,470 and $1,960 as of June 30, 2017 and December 31, 2016, respectively, net of the fair value of the indemnification obligations, which was estimated using the discounted probability-weighted cash flow method.

The carrying value of property, plant and equipment at the Company s idled Danville, Illinois manufacturing facility was reduced to its estimated fair market value during the second quarter of 2017, resulting in a non-cash impairment charge of $333. Fair market value was estimated using the market approach using market data such as recent sales of comparable assets in active markets and estimated salvage values.

The carrying value of property, plant and equipment at the Company s Johnstown, Pennsylvania administrative facility was reduced to its estimated fair market value during the third quarter of 2016, resulting in a non-cash impairment charge of $1,255. Fair market value was estimated using the market approach using market data such as recent sales of comparable assets in active markets and estimated salvage values. The proceeds from sale of the facility during the first quarter of 2017 and the resulting gain on sale were not material.

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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 June 30, 2017 of $30,932 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. 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. The Company owned no marketable securities as of December 31, 2016.

Note 7 Inventories

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

	June 30, 2017	December 31, 2016
Work in process	$ 61,083	$ 83,576
Finished new railcars	10,483	11,858
Parts inventory	2,526	2,470
Total inventories, net	$ 74,092	$ 97,904

Inventory on the Company s condensed consolidated balance sheets includes reserves of $4,611 and $4,307 relating to excess or slow-moving inventory for parts and work in process at June 30, 2017 and December 31, 2016, respectively.

Note 8 Revolving Credit Facility

On June 13, 2016, the Company entered into a First Amendment to Credit Agreement (the First Amendment) by and among FreightCar and certain of its subsidiaries, as borrowers and guarantors (together, the Borrowers), and Bank of America, N.A., as lender, administrative agent, swingline lender and letter of credit issuer (the Bank). The First Amendment amended the Credit Agreement, dated as of July 26, 2013 (the Original Credit Agreement), by and among the Borrowers and the Bank in order to, among other things: (1) extend the term of the Original Credit Agreement to July 26, 2019; and (2) replace the negative covenant requiring a minimum consolidated net liquidity of $35,000 with a negative covenant requiring a maximum consolidated net leverage ratio of 2.50:1.00.

The Original Credit Agreement, as amended by the First Amendment (the Credit Agreement), contains a $50,000 senior secured revolving credit facility (the Revolving Credit Facility) and 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. The Revolving Credit Facility can be used for general corporate purposes, including working capital. Under the Credit Agreement, revolving loans outstanding will bear interest at a rate of LIBOR plus an applicable margin of between 1.25% and 1.75% depending on the Company s consolidated leverage ratio 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 0.25% 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, the maximum consolidated net leverage ratio requirement and limitations on indebtedness, liens and investments. The Credit Agreement also provides for customary events of default.

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As of June 30, 2017 and December 31, 2016, the Company had no borrowings under the Revolving Credit Facility. As of June 30, 2017 and December 31, 2016, the Company had $6,080 and $5,720, respectively, in outstanding letters of credit under the Revolving Credit Facility and therefore had $43,920 and $44,280, respectively, available for borrowing under the Revolving Credit Facility.

Note 9 Accumulated Other Comprehensive Income (Loss)

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

	Pre-Tax	Tax	After-Tax
Three months ended June 30, 2017			
Pension liability activity:			
Reclassification adjustment for amortization of net loss (pre-tax cost of sales of $128 and selling, general and administrative expenses of $(9))	$ 119	$ 43	$ 76
Postretirement liability activity:			
Reclassification adjustment for amortization of net gain (pre-tax cost of sales of $(2) and selling, general and administrative expenses of $(77))	(79)	(28)	(51)
Reclassification adjustment for amortization of prior service cost (pre-tax selling, general and administrative expenses of $3)	3	1	2
	$ 43	$ 16	$ 27

Three months ended June 30, 2016	Pre-Tax	Tax	After-Tax
Pension liability activity:			
Reclassification adjustment for amortization of net loss (pre-tax cost of sales of $135 and selling, general and administrative expenses of $(10))	$ 125	$ 44	$ 81
Postretirement liability activity:			
Reclassification adjustment for amortization of net gain (pre-tax cost of sales of $(61) and selling, general and administrative expenses of $(7))	(68)	(25)	(43)
Reclassification adjustment for amortization of prior service cost (pre-tax cost of sales of $3 and selling, general and administrative expenses of $1)	4	2	2
	$ 61	$ 21	$ 40

	Pre-Tax	Tax	After-Tax
Six months ended June 30, 2017			
Pension liability activity:			
	$ 238	$ 85	$ 153

Reclassification adjustment for amortization of net loss (pre-tax cost of sales of $257 and selling, general and administrative expenses of $(19))			
Postretirement liability activity:			
Reclassification adjustment for amortization of net gain (pre-tax cost of sales of $(4) and selling, general and administrative expenses of $(155))	(159)	(56)	(103)
Reclassification adjustment for amortization of prior service cost (pre-tax selling, general and administrative expenses of $7)	7	2	5
	$ 86	$ 31	$ 55

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	Pre-Tax	Tax	After-Tax
Six months ended June 30, 2016			
Pension liability activity:			
Reclassification adjustment for amortization of net loss (pre-tax cost of sales of $270 and selling, general and administrative expenses of $(20))	$ 250	$ 88	$ 162
Postretirement liability activity:			
Actuarial loss	(1,689)	(594)	(1,095)
Settlement gain	37,190	13,076	24,114
Reclassification adjustment for settlement income (pre-tax gain on settlement of postretirement benefit plan obligations)	(15,606)	(5,487)	(10,119)
Reclassification adjustment for amortization of net loss (pre-tax cost of sales of $35 and selling, general and administrative expenses of $5)	40	14	26
Reclassification adjustment for amortization of prior service cost (pre-tax cost of sales of $7 and selling, general and administrative expenses of $1)	8	3	5
	$ 20,193	$ 7,100	$ 13,093

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

	June 30, 2017	December 31, 2016
Unrecognized pension cost, net of tax of $6,321 and $6,405	$ (10,288)	$ (10,441)
Unrecognized postretirement income, net of tax of $570 and $623	2,180	2,278
	$ (8,108)	$ (8,163)

Note 10 Stock-Based Compensation

In each of January 2015, 2016 and 2017, the Company granted performance shares with performance measurement periods of three calendar years. The shares will vest and be earned at the end of each performance measurement period, if at all, based on the Company s three-year cumulative basic earnings per share, provided that a minimum three-year average return on invested capital goal is also met or exceeded. The earnings per share thresholds and return on invested capital goals were established by the Company s board of directors on the grant dates. The Company recognizes stock-based compensation cost for performance shares over the vesting period based on the fair market value of the Company s stock on the award date multiplied by the estimated number of shares to be awarded based on the probable outcome of the performance conditions.

Total stock-based compensation was $157 and $445 for the three months ended June 30, 2017 and 2016, respectively, and $371 and $674 for the six months ended June 30, 2017 and 2016, respectively. As of June 30, 2017, there was $1,393 of unearned compensation expense related to restricted stock awards, which will be recognized over the remaining requisite service period of 35 months.

Note 11 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. Generally, contributions to the plans are not less than the minimum amounts required under the Employee Retirement Income Security Act of 1974, as amended (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.

The Company also historically provided 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.

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On March 25, 2016, the Company made a cash payment of $31,616 (including $166 of interest) to settle disputed retiree medical and life insurance benefits for hourly retirees of the Company s Johnstown manufacturing facility. The settlement resulted in a pre-tax gain of $14,306 (net of plaintiffs attorneys fees of $1,300) and a reduction in the postretirement benefit obligation of approximately $68,806 as of March 25, 2016. Additionally, as a result of the cost reduction programs initiated in August 2016 and January 2017 (see Note 14), certain employees participating in the salaried pension and postretirement benefit plans were impacted, which triggered curtailments of the respective plans.

As of January 1, 2017, the Company changed the method it used to estimate the service and interest components of net periodic benefit cost for postretirement benefits and the interest component for pension benefits. Historically, the Company estimated these service and interest cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. The Company has elected to utilize a full yield curve approach in estimating these components by applying the specific spot rates along the yield curve used in determining the benefit obligation to the relevant projected cash flows. The Company made this change to provide a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows and the corresponding spot yield curve rates. This change will not affect the measurement of the Company s total benefit obligation at the Company s annual measurement date, as the refinement compared to the previous method results in a decrease in the service cost and interest components of net periodic benefit cost with an equal offset to actuarial gains (losses) with no net impact on the total benefit obligation. The refinement did not have a material impact on the condensed consolidated balance sheet as of June 30, 2017 or the condensed consolidated statement of operations for the three and six months ended June 30, 2017. This change is accounted for prospectively as a change in accounting estimate.

The components of net periodic benefit cost (benefit) for the three and six months ended June 30, 2017 and 2016, are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Pension Benefits				
Interest cost	$ 446	$ 582	$ 892	$ 1,164
Expected return on plan assets	(642)	(686)	(1,284)	(1,372)
Amortization of unrecognized net loss	119	125	238	250
Plan curtailment and special termination benefits			270	
	$ (77)	$ 21	$ 116	$ 42

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Postretirement Benefit Plan				
Service cost	$ 12	$ 15	$ 24	$ 30
Interest cost	50	65	100	803
Settlement income				(15,606)
Amortization of prior service cost	3	4	7	8
Amortization of unrecognized net (gain) loss	(79)	(68)	(159)	40

Plan curtailment and special termination benefits						150		
	$	(14)	$	16	$	122	$	(14,725)

The Company made no contributions to the Company s defined benefit pension plans for each of the three months and six months ended June 30, 2017 and 2016. The Company expects to make no contributions to its pension plans in 2017.

The Company made contributions to the Company s postretirement benefit plan for salaried retirees of $139 and $137 for the three months ended June 30, 2017 and 2016, respectively, and $267 and $228 for the six months ended June 30, 2017 and 2016, respectively. The Company expects to make $403 in contributions (including contributions already made) to its postretirement benefit plan in 2017 for salaried retirees. As a result of the settlement payment described above, the Company had no further postretirement benefit obligation for hourly retirees after March 25, 2016.

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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 $317 and $359 for the three months ended June 30, 2017 and 2016, respectively, and $937 and $1,046 for the six months ended June 30, 2017 and 2016, respectively.

Note 12 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.

The Company received cash payments of $15,733 and $1,410 during 2015 and 2017, respectively, for Alabama state and local incentives related to its 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 for a period of six years from the date of the incentive. The Company s level of employment at its Shoals facility currently exceeds and is expected to continue to exceed the minimum targeted levels of employment. In the event that any portion of the incentives is required to be paid back, the amount is unlikely to exceed the deferred liability balance as of June 30, 2017.

On April 17, 2015 and September 30, 2015, National Steel Car Limited (NSC) filed Complaints for Patent Infringement against the Company in the United States District Court for the Northern District of Illinois (Eastern Division) in Chicago, Illinois. The complaints assert five United States patents against certain aggregate gondola freight cars sold to certain customers. The complaints seek injunctive relief and an unspecified amount of damages. The Court consolidated both cases on November 12, 2015. On January 29, 2016, NSC filed an amended complaint, alleging that 18 offers to sell made by the Company also infringed NSC s patents. The Company filed its answer to NSC s amended complaint on February 16, 2016, responding to NSC s newly raised allegations and adding new affirmative defenses as well as counterclaims for non-infringement and invalidity. The Company also filed *inter partes* review (IPR) petitions in March 2016 with the U.S. Patent and Trademark Office s Patent Trial and Appeal Board (PTAB) for two of the five asserted patents. In June 2015, the parties began conducting the first phase of fact discovery, which concluded on August 9, 2016. In September 2016, the PTAB granted the IPR petitions and instituted trials on all asserted claims for both patents. Both trials are expected to conclude on or before September 30, 2017. On October 5, 2016, the Company filed a motion to stay the district court litigation in order to allow the IPR trials to run their course, which the district court denied. A claim construction hearing before the district court took place on January 31, 2017, and the court s ruling was issued on June 8, 2017. Oral argument before the PTAB also took place on June 8, 2017 in the pending IPR trials. The schedule for the litigation has been suspended while the parties dispute various invalidity and non-infringement contentions. 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.

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.

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Note 13 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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Weighted average common shares outstanding	12,283,746	12,261,308	12,276,689	12,256,720
Dilutive effect of employee stock options and nonvested share awards				
Weighted average diluted common shares outstanding	12,283,746	12,261,308	12,276,689	12,256,720

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 June 30, 2017 and 2016, 497,917 and 540,526 shares, respectively, were not included in the weighted average common shares outstanding calculation as they were anti-dilutive. For the six months ended June 30, 2017 and 2016, 507,628 and 568,124 shares, respectively, were not included in the weighted average common shares outstanding calculation as they were anti-dilutive.

Note 14 Restructuring and Impairment Charges

On August 1, 2016, the Company announced a cost reduction program whereby approximately 15% of the Company s salaried administrative workforce would be eliminated, its Johnstown, Pennsylvania administrative facility would be closed and certain discretionary spending would be reduced. During the third and fourth quarters of 2016, the Company recorded restructuring and impairment charges of $2,261, which consisted primarily of non-cash impairment charges of $1,255 for property, plant and equipment at the Company s Johnstown, Pennsylvania administrative facility and employee severance and other employment termination costs of $1,006.

In the first quarter of 2017, in response to lower order trends in the industry, the Company announced further reductions to its salaried workforce, initiatives to reduce discretionary spending and the idling of the Company s Danville, Illinois facility. In connection with the Company s cost reduction program during 2017, the Company recorded restructuring charges of $1,777 during the first quarter of 2017, which consisted primarily of employee severance and other employment termination costs and pension and postretirement benefit plan curtailment and special termination benefits. During the second quarter of 2017, the Company recorded restructuring and impairment charges of $369, which consisted primarily of non-cash impairment charges for property, plant and equipment at the Company s idled Danville, Illinois manufacturing facility. Restructuring and impairment charges are reported as a separate line item on the Company s condensed consolidated statements of operations. As of June 30, 2017, $480 of employee severance and other employment termination costs related to the 2016 and 2017 cost reduction programs remained outstanding.

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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 are a diversified manufacturer of railcars and railcar components. We design and manufacture a broad variety of railcar types for transportation of bulk commodities and containerized freight products primarily in North America. We 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. Our primary customers are railroads, shippers and financial institutions.

The Company s operations comprise two operating segments, Manufacturing and Parts, and one reportable segment, Manufacturing. The Company s Manufacturing segment includes new railcar manufacturing, used railcar sales, railcar leasing and major railcar rebuilds. The Company s Parts operating segment is not significant for reporting purposes and has been combined with corporate and other non-operating activities as Corporate and Other.

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. Our Roanoke facility has the capacity to build a variety of railcar types in a cost-effective manner and will continue to support our coal car products when market conditions improve. During the second quarter of 2017, operations were significantly curtailed in response to market conditions as we identify new production opportunities. Our Danville facility resumed production in June 2014 after being idled for 14 months. Given the challenged coal market, operations there were again significantly curtailed in 2016 and the facility was idled for railcar production effective March 31, 2017.

On August 1, 2016, we announced a cost reduction program whereby approximately 15% of our salaried administrative workforce would be eliminated, our Johnstown, Pennsylvania administrative facility would be closed and certain discretionary spending would be reduced. During the third and fourth quarters of 2016, we recorded restructuring and impairment charges of $2.3 million, which consisted primarily of non-cash impairment charges of $1.3 million for property, plant and equipment at our Johnstown administrative facility and employee severance and other employment termination costs of $1.0 million. We currently estimate that the annualized cost savings resulting from this restructuring program will be approximately $5.0 million.

In light of the current cyclical downturn in the railcar industry and the challenged coal market, in the first quarter of 2017 we announced further reductions to our salaried workforce, initiatives to reduce discretionary spending and the idling of our Danville, Illinois facility. In connection with our cost reduction program in 2017, we recorded restructuring and impairment charges of $1.8 million during the first quarter of 2017. These charges consisted primarily of employee severance and other employment termination costs and pension and postretirement benefit plan curtailment and special termination benefits. We currently estimate that the annualized cost savings resulting from these actions will be approximately $3.0 million when fully implemented. During the second quarter of 2017, we recorded restructuring and impairment charges of $0.4 million which consisted primarily of non-cash impairment charges for property, plant and equipment at our idled Danville, Illinois facility.

Total orders for railcars in the second quarter of 2017 were 1,520 units, consisting of 1,020 new railcars and 500 leased railcars, compared to net orders of (156) units in the second quarter of 2016. Total backlog of unfilled orders was 3,226 units at June 30, 2017, compared to 4,259 units at December 31, 2016. The estimated sales value of the backlog was $293 million and $419 million, respectively, as of June 30, 2017 and December 31, 2016.

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RESULTS OF OPERATIONS

Three Months Ended June 30, 2017 compared to Three Months Ended June 30, 2016

Revenues

Our consolidated revenues for the three months ended June 30, 2017 were $118.7 million compared to $126.2 million for the three months ended June 30, 2016. Manufacturing segment revenues for the second quarter of 2017 were $116.1 million compared to $124.2 million for the second quarter of 2016. Railcar deliveries totaled 1,096 units, all of which were new railcars, in the second quarter of 2017 compared to 1,372 units, all of which were new railcars, in the second quarter of 2016. The decrease in Manufacturing segment revenues for the 2017 period compared to the 2016 period reflects the 20% decrease in the number of railcars delivered, partially offset by slightly higher average sales prices. Manufacturing segment revenues for the 2017 period also included proceeds from the sale of 100 leased railcars that were delivered in a prior period. Corporate and Other revenues for the three months ended June 30, 2017 were $2.6 million compared to $1.9 million for the three months ended June 30, 2016 due to higher parts sales.

Gross Profit

Our consolidated gross profit margin was 4.5% for the three months ended June 30, 2017 compared to 6.4% for the three months ended June 30, 2016. Our consolidated gross profit for the three months ended June 30, 2017 was $5.3 million compared to $8.1 million for the three months ended June 30, 2016, reflecting decreases in gross profit from our Manufacturing segment of $3.4 million, which were partially offset by increases in gross profit from Corporate and Other of $0.7 million. The decline in railcar deliveries, including leased railcars sold that were delivered in a prior period, in the second quarter of 2017 contributed a $1.8 million decrease in gross profit in our Manufacturing segment, while unfavorable product mix of lower margin railcars and production inefficiencies related to certain new car types contributed another $1.6 million decrease in gross profit.

Selling, General and Administrative Expenses

Consolidated selling, general and administrative expenses for the three months ended June 30, 2017 were $5.9 million compared to $8.7 million for the three months ended June 30, 2016. Manufacturing segment selling, general and administrative expenses for the three months ended June 30, 2017 were $1.6 million compared to $2.4 million for the three months ended June 30, 2016 primarily due to lower allocated corporate costs of $0.5 million. Corporate and Other selling, general and administrative expenses were $4.3 million for the three months ended June 30, 2017 compared to $6.3 million for the three months ended June 30, 2016. The decrease in Corporate and Other selling, general and administrative expenses reflected decreases in salaries of $0.8 million, decreases in professional services costs of $0.7 million and decreases in state franchise taxes of $0.5 million.

Restructuring and Impairment Charges

On August 1, 2016, we announced a cost reduction program whereby approximately 15% of our salaried administrative workforce would be eliminated, our Johnstown, Pennsylvania administrative facility would be closed and certain discretionary spending would be reduced. In the first quarter of 2017, in response to lower order trends in the industry, we announced further reductions to our salaried workforce, initiatives to reduce discretionary spending and the idling of our Danville, Illinois facility. We recorded restructuring and impairment charges of $0.4 million during the second quarter of 2017, which consisted primarily of non-cash impairment charges for property, plant and equipment at our idled Danville, Illinois facility.

Operating Loss

Our consolidated operating loss for the three months ended June 30, 2017 was $0.9 million compared to an operating loss of $0.6 million for the three months ended June 30, 2016. Operating income for the Manufacturing segment was $2.3 million for the three months ended June 30, 2017 compared to $5.4 million for the three months ended June 30, 2016, reflecting the decrease in Manufacturing segment gross profit, which was partially offset by the decrease in Manufacturing segment selling, general and administrative expenses. Corporate and Other operating loss was $3.3 million for the three months ended June 30, 2017 compared to an operating loss of $6.0 million for the three months ended June 30, 2016. The decrease in Corporate and Other operating loss was primarily due to the decrease in Corporate and Other selling, general and administrative expenses.

Income Taxes

Our income tax benefit was $0.4 million for the three months ended June 30, 2017 compared to an income tax benefit of $0.2 million for the three months ended June 30, 2016. Our effective tax rate for the three months ended June 30, 2017 was 49.9% compared to 27.1% for the three months ended June 30, 2016. The increase in our effective tax rate was primarily due to the impact of a change in the statutory federal income tax rate for a prior period as result of a net operating loss carryback claim filed during 2017.

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Net Loss

As a result of the foregoing, our net loss was $0.4 million for the three months ended June 30, 2017 compared to a net loss of $0.5 million for the three months ended June 30, 2016. For each of the three months ended June 30, 2017 and 2016, our diluted net loss per share was $0.04.

Six Months Ended June 30, 2017 compared to Six Months Ended June 30, 2016

Revenues

Our consolidated revenues for the six months ended June 30, 2017 were $258.2 million compared to $274.7 million for the six months ended June 30, 2016. Manufacturing segment revenues for the six months ended June 30, 2017 were $253.8 million compared to $270.3 million for the six months ended June 30, 2016. Railcar deliveries totaled 2,621 units, all of which were new railcars, in the six months ended June 30, 2017 compared to 2,981 units, all of which were new railcars, in the six months ended June 30, 2016. The decrease in Manufacturing segment revenues for the 2017 period compared to the 2016 period reflects the 12% decrease in the number of railcars delivered, partially offset by slightly higher average sales prices. Corporate and Other revenues for the six months ended June 30, 2017 were $4.4 million compared to $4.5 million for the six months ended June 30, 2016.

Gross Profit

Our consolidated gross profit margin was 5.9% for the six months ended June 30, 2017 compared to 8.7% for the six months ended June 30, 2016. Our consolidated gross profit for the six months ended June 30, 2017 was $15.2 million compared to $24.0 million for the six months ended June 30, 2016, reflecting decreases in gross profit from our Manufacturing segment of $10.3 million, which were partially offset by increases in gross profit from Corporate and Other of $1.5 million. The decline in railcar deliveries contributed a $4.5 million decrease in gross profit in our Manufacturing segment and unfavorable product mix of lower margin railcars and production inefficiencies related to certain new car types contributed another $5.8 million decrease in Manufacturing segment gross profit. The increase in Corporate and Other gross profit was primarily due to a decrease in postretirement benefit costs as a result of the March 25, 2016 settlement.

Selling, General and Administrative Expenses

Consolidated selling, general and administrative expenses for the six months ended June 30, 2017 were $12.9 million compared to $19.3 million for the six months ended June 30, 2016. Manufacturing segment selling, general and administrative expenses for the six months ended June 30, 2017 were $3.3 million compared to $5.8 million for the six months ended June 30, 2016 primarily due to lower third-party sales commissions of $0.6 million, lower allocated corporate costs of $1.4 million and decreases in salaries of $0.2 million. Corporate and Other selling, general and administrative expenses were $9.6 million for the six months ended June 30, 2017 compared to $13.4 million for the six months ended June 30, 2016. The decrease in Corporate and Other selling, general and administrative expenses reflected decreases in salaries and benefits of $1.8 million, decreases in executive severance costs of $0.8 million and decreases in professional services costs of $1.3 million.

Gain on Settlement of Postretirement Benefit Obligation

On March 25, 2016, we made a one-time payment of $31.7 million to settle our postretirement benefit obligation for our hourly retirees, resulting in a pre-tax gain of $14.3 million (net of plaintiffs attorneys fees of $1.3 million) and a reduction in our postretirement benefit obligation of approximately $68.8 million. See Note 11 to the condensed consolidated financial statements.

Restructuring and Impairment Charges

On August 1, 2016, we announced a cost reduction program whereby approximately 15% of our salaried administrative workforce would be eliminated, our Johnstown, Pennsylvania administrative facility would be closed and certain discretionary spending would be reduced. In the first quarter of 2017, in response to lower order trends in the industry, we announced further reductions to our salaried workforce, initiatives to reduce discretionary spending and the idling of our Danville, Illinois facility. In connection with our cost reduction programs, we recorded restructuring and impairment charges of $1.8 million during the first quarter of 2017. These charges consisted primarily of employee severance and other employment termination costs and pension and postretirement benefit plan curtailment and special termination benefits. During the second quarter of 2017 we recorded restructuring and impairment charges of $0.4 million which consisted primarily of non-cash impairment charges for property, plant and equipment at our idled Danville, Illinois facility.

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Operating Income

Our consolidated operating income for the six months ended June 30, 2017 was $0.2 million compared to $19.0 million for the six months ended June 30, 2016. Operating income for the Manufacturing segment was $9.6 million for the six months ended June 30, 2017 compared to $18.2 million for the six months ended June 30, 2016, reflecting the decrease in Manufacturing segment gross profit and inclusion of $0.9 million of Manufacturing segment restructuring and impairment charges, which were partially offset by the decrease in Manufacturing segment selling, general and administrative expenses. Corporate and Other operating loss was $9.4 million for the six months ended June 30, 2017 compared to operating income of $0.8 million for the six months ended June 30, 2016. The increase in Corporate and Other operating loss was primarily due to the $14.3 million gain on settlement of the postretirement benefit obligation included in the 2016 period and $1.3 million of restructuring and impairment charges included in the 2017 period, which were partially offset by decreases in Corporate and Other selling, general and administrative expenses of $3.9 million for the 2017 period.

Income Taxes

Our income tax benefit was immaterial for the six months ended June 30, 2017 compared to an income tax provision of $6.8 million for the six months ended June 30, 2016. Our effective tax rate for the six months ended June 30, 2017 was (2.8)% compared to 35.8% for the six months ended June 30, 2016. The decrease in the effective tax rate was primarily due to the impact of a change in the statutory federal income tax rate for a prior period as result of a net operating loss carryback claim filed during 2017, partially offset by the impact of interest and penalties related to uncertain tax positions.

Net Income

As a result of the foregoing, our net income was $0.2 million for the six months ended June 30, 2017 compared to $12.2 million for the six months ended June 30, 2016. For the six months ended June 30, 2017, our diluted earnings per share was $0.02 compared to $0.99 for the six months ended June 30, 2016.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity for the six months ended June 30, 2017 and 2016, were our cash provided by operations, cash and cash equivalent balances on hand, our securities held to maturity and our revolving credit facility.

On June 13, 2016, we entered into a First Amendment to Credit Agreement (the First Amendment) by and among FreightCar and certain of its subsidiaries, as borrowers and guarantors (together, the Borrowers), and Bank of America, N.A., as lender, administrative agent, swingline lender and letter of credit issuer (the Bank). The First Amendment amended the Credit Agreement, dated as of July 26, 2013 (the Original Credit Agreement), by and among the Borrowers and the Bank in order to, among other things: (1) extend the term of the Original Credit Agreement to July 26, 2019; and (2) replace the negative covenant requiring a minimum consolidated net liquidity of $35.0 million with a negative covenant requiring a maximum consolidated net leverage ratio of 2.50:1.00.

The Original Credit Agreement, as amended by the First Amendment (the Credit Agreement), contains a $50.0 million senior secured revolving credit facility (the Revolving Credit Facility) and 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. The Revolving Credit Facility can be used for general corporate purposes, including working capital. As of June 30, 2017, we had no borrowings under the Revolving Credit Facility. As of June 30, 2017, we had $6.1 million in outstanding letters of credit under the Revolving Credit Facility and therefore had $43.9 million available for borrowing under the

Revolving Credit Facility. Under the Credit Agreement, revolving loans outstanding will bear interest at a rate of LIBOR plus an applicable margin of between 1.25% and 1.75% depending on our consolidated leverage ratio 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 0.25% 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, the maximum consolidated net leverage ratio requirement and limitations on indebtedness, liens and investments. The Credit Agreement also provides for customary events of default.

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As of December 31, 2016, we had $5.7 million in outstanding letters of credit under the Revolving Credit Facility and therefore had $44.3 million available for borrowing under the Revolving Credit Facility.

Our restricted cash and restricted certificates of deposit balance was $6.1 million as of June 30, 2017 and $6.0 million as of December 31, 2016, 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 standby letters of credit outstanding as of June 30, 2017 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.

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.

Based upon our operating performance and capital requirements, 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 June 30, 2017 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	$ 55,180	$ 9,927	$ 20,188	$ 17,117	$ 7,948
Material and component purchases	3,492	3,492			
Total	$ 58,672	$ 13,419	$ 20,188	$ 17,117	$ 7,948

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 $1.3 million related to a reserve for unrecognized tax benefits and accrued interest and penalties at June 30, 2017 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.

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Cash Flows

The following table summarizes our net cash (used in) provided by operating activities, investing activities and financing activities for the six months ended June 30, 2017 and 2016:

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
	(In thousands)	
Net cash provided by (used in):		
Operating activities	$ 40,733	$ (22,175)
Investing activities	(29,941)	4,948
Financing activities	(2,249)	(2,378)
Total	$ 8,543	$ (19,605)

Operating Activities. Our net cash provided by or 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 provided by operating activities for the six months ended June 30, 2017 was $40.7 million compared to net cash used in operating activities of $22.2 million for the six months ended June 30, 2016. Our net cash provided by operating activities for the six months ended June 30, 2017 reflects receipt of a federal income tax refund related to a net operating loss carryback of $11.9 million and decreases in working capital, including a $23.4 million decrease in inventory. Net cash used in operating activities for the six months ended June 30, 2016 reflects the cash payment of $31.6 million and payment of plaintiffs attorneys fees of $1.3 million for settlement of the postretirement benefit obligation for our hourly retirees. The settlement payments were partially offset by changes in working capital during the six months ended June 30, 2016.

Investing Activities. Net cash used in investing activities for the six months ended June 30, 2017 was $29.9 million and primarily represented the $30.9 million purchase of U.S. Treasury securities and certificates of deposit (net of maturities), which were partially offset by $1.4 million of state and local incentives received. Net cash provided by investing activities for the six months ended June 30, 2016 included proceeds from maturity of securities of $12.0 million and maturity of restricted certificates of deposit (net of purchases) of $1.7 million, which were partially offset by purchases of property, plant and equipment of $8.8 million.

Financing Activities. Net cash used in financing activities for the six months ended June 30, 2017 was $2.2 million compared to $2.4 million for the six months ended June 30, 2016. Net cash used in financing activities for each of the six months ended June 30, 2017 and 2016, primarily included cash dividends paid to our stockholders.

Capital Expenditures

Our capital expenditures were $0.4 million in the six months ended June 30, 2017 compared to $8.8 million in the six months ended June 30, 2016. Capital expenditures for the 2017 period were primarily to maintain our facilities while capital expenditures for the 2016 period were primarily purchases of equipment and other improvements for our Shoals facility. Excluding unforeseen expenditures, management expects that total capital expenditures to maintain our facilities will approximate $3 million for 2017, including amounts already paid.

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;
- 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;
- international economic and political risks to the extent we expand our sales of 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;
- acquisitions may fail to perform to expectations or we may fail to successfully integrate acquired businesses into our existing business;
- the risk of losing key personnel;
- shortages of skilled labor;

- risks relating to our relationship with our unionized employees and their unions;
- our reliance on a single supplier for our roll-formed center sills;
- the risk of equipment failures, delays in deliveries or extensive damage to our facilities;
- the risk that we are unable to renew our lease arrangements at our manufacturing facilities at commercially acceptable terms;
- the risk of failing to adequately protect our intellectual property;
- cybersecurity risks relating to our information technology and other systems;
- our ability to maintain relationships with our suppliers of railcar components;
- the risk of changes in U.S. tax law and rates;
- the cost of complying with environmental laws and regulations; and
- various covenants in the agreements 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, 2016 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 June 30, 2017, we had $6.1 million in outstanding letters of credit under the Revolving Credit Facility and therefore had $43.9 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.

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.

The information in response to this item is included in Note 12 Contingencies to our condensed consolidated

financial statements included in Part I, Item 1 of this Form 10-Q.

Item 1A. Risk Factors.

There have been no material changes from the risk factors previously disclosed in Item 1A of our 2016 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:

10.1	Letter agreement regarding Terms of Employment dated July 17, 2017 by and between FreightCar America, Inc. and James R. Meyer (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed with the Commission on July 19, 2017).
10.2	Separation Agreement and General Release dated July 17, 2017 by and between FreightCar America, Inc. and Joseph E. McNeely (incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K filed with the Commission on July 19, 2017).
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: August 3, 2017

By: /s/ JAMES R. MEYER
James R. Meyer, President and Chief Executive Officer (Principal Executive Officer)

By: /s/ MATTHEW S. KOHNKE
Matthew S. Kohnke, 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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101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document