FreightCar America, Inc.
Form 10-Q
September 30, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the Quarterly Period Ended June 30, 2009

or

o **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 incorporation or organization)	**(I.R.S. Employer Identification No.)**
Two North Riverside Plaza, Suite 1250 **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 o NO þ

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 o NO o

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

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of September 25, 2009, there were 11,950,885 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)

	June 30, 2009	December 31, 2008 (as restated)
	(In thousands)	
Assets		
Current assets		
Cash and cash equivalents	$ 152,351	$ 129,192
Accounts receivable, net of allowance for doubtful accounts of $193 and $330, respectively	6,139	73,120
Inventories	40,598	31,096
Leased railcars held for sale	28,088	11,490
Property, plant and equipment held for sale	2,461	
Other current assets	2,963	6,789
Deferred income taxes, net	12,695	16,003
Total current assets	245,295	267,690
Property, plant and equipment, net	28,223	30,582
Railcars on operating leases	43,013	34,735
Goodwill	21,521	21,521
Deferred income taxes, net	19,335	23,281
Other long-term assets	5,059	5,484
Total assets	$ 362,446	$ 383,293
Liabilities and Stockholders Equity		
Current liabilities		
Accounts payable	$ 28,892	$ 47,328
Accrued payroll and employee benefits	4,339	9,530
Accrued postretirement benefits	5,364	5,364
Accrued warranty	10,768	11,476
Customer deposits	2,365	7,367
Other current liabilities	8,714	7,939
Total current liabilities	60,442	89,004
Accrued pension costs	27,540	26,763
Accrued postretirement benefits, less current portion	54,397	55,293
Other long-term liabilities	6,234	7,407
Total liabilities	148,613	178,467

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, 2009 and December 31, 2008		
Common stock, $0.01 par value; 50,000,000 shares authorized, 12,731,678 shares issued at June 30, 2009 and December 31, 2008	127	127
Additional paid in capital	97,112	98,253
Treasury stock, at cost; 781,593 and 821,182 shares at June 30, 2009 and December 31, 2008, respectively	(36,997)	(38,871)
Accumulated other comprehensive loss	(16,134)	(16,471)
Retained earnings	169,672	161,687
Total FreightCar America stockholders equity	213,780	204,725
Noncontrolling interest in India JV	53	101
Total stockholders equity	213,833	204,826
Total liabilities and stockholders equity	$ 362,446	$ 383,293

See Notes to Condensed Consolidated Financial Statements.

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FreightCar America, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008 (as restated)	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008 (as restated)
	(In thousands, except share and per share data)			
Revenues	$ 104,328	$ 141,335	$ 143,891	$ 236,433
Cost of sales	88,345	133,939	117,613	219,815
Gross profit	15,983	7,396	26,278	16,618
Selling, general and administrative expense (including non-cash stock-based compensation expense of $553, $729, $1,091 and $1,692, respectively)	6,713	7,283	14,035	15,869
Plant closure (income) charges	(116)	1,602	(495)	19,865
Operating income (loss)	9,386	(1,489)	12,738	(19,116)
Interest (expense) income, net	(133)	649	(295)	1,892
Operating income (loss) before income taxes	9,253	(840)	12,443	(17,224)
Income tax provision (benefit)	2,268	(472)	3,072	(6,602)
Net income (loss)	6,985	(368)	9,371	(10,622)
Less: Net loss attributable to non-controlling interest in India JV	(37)		(48)	
Net income (loss) attributable to FreightCar America	$ 7,022	$ (368)	$ 9,419	$ (10,622)
Net income (loss) per common share attributable to FreightCar America basic	$ 0.59	$ (0.03)	$ 0.79	$ (0.90)
Net income (loss) per common share attributable to FreightCar America diluted	$ 0.59	$ (0.03)	$ 0.79	$ (0.90)
Weighted average common shares outstanding basic	11,860,809	11,780,327	11,855,319	11,760,063
Weighted average common shares outstanding diluted	11,863,999	11,780,327	11,858,272	11,760,063
Dividends declared per common share	$ 0.06	$ 0.00	$ 0.12	$ 0.12

See Notes to Condensed Consolidated Financial Statements.

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FreightCar America, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (Unaudited)
(in thousands, except for share data)

	FreightCar America Shareholders								
	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Treasury Stock Shares	Treasury Stock Amount	Accumulated Other Comprehensive Loss	Retained Earnings	Noncontrolling Interest	Total Stockholders Equity
Balance, December 31, 2007 (as restated)	12,731,678	$ 127	$ 99,270	(918,257)	$ (43,597)	$ (9,857)	$ 153,120		$ 199,063
Net loss (as restated)							(10,622)		(10,622)
Pension liability activity, net of tax						63			63
Postretirement liability activity, net of tax						167			167
Comprehensive loss (as restated)									(10,392)
Stock options exercised			(939)	32,981	1,566				627
Restricted stock awards			(2,305)	48,547	2,305				
Stock-based compensation recognized			1,693						1,693
Deficiency of tax benefit from stock-based compensation			(192)						(192)
Cash dividends							(1,425)		(1,425)
Balance, June 30, 2008 (as restated)	12,731,678	$ 127	$ 97,527	(836,729)	$ (39,726)	$ (9,627)	$ 141,073		$ 189,374
Balance, December 31,	12,731,678	$ 127	$ 98,253	(821,182)	$ (38,871)	$ (16,471)	$ 161,687	$ 101	$ 204,826

2008 (as restated)									
Net income (loss)							9,419	(48)	9,371
Pension liability activity, net of tax						267			267
Postretirement liability activity, net of tax						70			70
Comprehensive income									9,708
Restricted stock awards			(1,874)	39,589	1,874				
Stock-based compensation recognized			1,091						1,091
Deficiency of tax benefit from stock-based compensation			(358)						(358)
Cash dividends							(1,434)		(1,434)
Balance, June 30, 2009	12,731,678	$ 127	$ 97,112	(781,593)	$ (36,997)	$ (16,134)	$ 169,672	$ 53	$ 213,833

See Notes to Condensed Consolidated Financial Statements.

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FreightCar America, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008 (as restated)
	(In thousands)	
Cash flows from operating activities		
Net income (loss) attributable to FreightCar America	$ 9,419	$ (10,622)
Adjustments to reconcile net income (loss) to net cash flows used in operating activities		
Plant closure (income) charges		19,865
Depreciation and amortization	2,541	1,992
Other non-cash items	292	(547)
Deferred income taxes	7,049	(8,720)
Compensation expense under stock option and restricted share award agreements	1,091	1,692
Noncontrolling interest in India JV	(48)	
Changes in operating assets and liabilities:		
Accounts receivable	66,981	6,262
Inventories	(9,658)	(46,789)
Leased railcars held for sale	(16,598)	(46,101)
Other current assets	48	(6,184)
Accounts payable	(17,830)	67,242
Accrued payroll and employee benefits	(5,191)	(4,257)
Income taxes receivable/payable	3,824	1,020
Accrued warranty	(708)	365
Other current liabilities and customer deposits	(5,083)	(17,898)
Deferred revenue, non-current	(488)	
Accrued pension costs and accrued postretirement benefits	218	440
Net cash flows provided by (used in) operating activities	35,859	(42,240)
Cash flows from investing activities		
Cost of railcars on operating leases produced or acquired	(8,802)	
Purchases of property, plant and equipment	(2,431)	(2,925)
Net cash flows used in investing activities	(11,233)	(2,925)
Cash flows from financing activities		
Payments on long-term debt	(28)	(32)
Deferred financing costs paid	(5)	
Issuance of common stock		627
Excess tax benefit from stock-based compensation		(192)
Cash dividends paid to stockholders	(1,434)	(1,425)
Net cash flows used in financing activities	(1,467)	(1,022)

Net increase (decrease) in cash and cash equivalents	23,159	(46,187)
Cash and cash equivalents at beginning of period	129,192	197,042
Cash and cash equivalents at end of period	$ 152,351	$ 150,855
Supplemental cash flow information:		
Income taxes paid	$ 175	$ 1,276
Income tax refunds received	$ (7,750)	$

See Notes to Condensed Consolidated Financial Statements.

FreightCar America, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In thousands, except share and per share data)

Note 1 Description of the Business

FreightCar America, Inc. (America), through its direct and indirect wholly owned subsidiaries (herein collectively referred to as the Company), manufactures, rebuilds, repairs, sells and leases railroad freight cars used for hauling coal, other bulk commodities, steel and other metals, forest products, intermodal containers and automobiles and trucks. The Company has manufacturing facilities in Danville, Illinois and Roanoke, Virginia. The Company s operations comprise one operating segment. The Company and its direct and indirect wholly owned subsidiaries are all Delaware corporations.

Note 2 Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of America, JAC Intermedco, Inc. (Intermedco), JAC Operations, Inc. (Operations), Johnstown America Corporation (JAC), FreightCar Services, Inc. (FCS), JAIX Leasing Company (JAIX), JAC Patent Company (JAC Patent) and FreightCar Roanoke, Inc. (FCR All significant 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 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, 2009 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. 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 amended interim financial statements should be read in conjunction with the audited financial statements contained in the Company s amended annual report on Form 10-K/A for the year ended December 31, 2008.

Note 3 Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (the FASB), issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 requires companies to disclose the fair value of their financial instruments according to a fair value hierarchy as defined in the standard. Additionally, companies are required to provide enhanced disclosure regarding financial instruments in one of the valuation categories, including a separate reconciliation of the beginning and ending balances for each major category of assets and liabilities. SFAS No. 157 was effective for financial assets and financial liabilities for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The FASB deferred the effective date of SFAS No. 157 for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on at least an annual basis, until January 1, 2009 for calendar year-end entities. Implementation of the provisions of SFAS No. 157 did not have a material impact on the Company s financial statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations,* which retains the fundamental requirements of SFAS No. 141, including that the purchase method be used for all business combinations and for an acquirer to be identified for each business combination. SFAS No. 141(R) defines the acquirer as the entity that obtains control of one or more businesses in a business combination and establishes the acquisition date as the date that the acquirer achieves control instead of the date that the consideration is transferred. This standard requires an acquirer in a business combination to recognize the assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date. It also requires the recognition of assets acquired and liabilities assumed arising from certain contractual contingencies as of the acquisition date, measured at their acquisition-date fair values. SFAS No. 141(R) is effective for any business combination with an acquisition date on or after January 1, 2009. Implementation of SFAS No. 141(R) will have only prospective impact on the Company s financial statements.

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In December 2008, the FASB issued FASB Staff Position No. FAS 132 (R)-1, *Employers Disclosures about Postretirement Benefit Plan Assets* (FSP 132 (R)-1). FSP 132 (R)-1 requires additional disclosures about plan assets for defined benefit pension and other postretirement benefit plans. FSP 132 (R)-1 is effective for fiscal years ending after December 15, 2009. Upon initial application, the provisions of this FSP are not required for earlier periods that are presented for comparative purposes. Since FSP 132 (R)-1 requires enhanced disclosures, without a change to existing standards relative to measurement and recognition, the adoption of FSP 132 (R)-1 will not have an impact on the Company s results of operations or financial position.

As of January 1, 2009, the Company adopted the provisions of SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements: An amendment of ARB No. 51*. SFAS No. 160 requires the Company to present its interest in less than 100% owned subsidiaries in which it retains control as a component of shareholders equity in the balance sheet and recharacterize the component formerly known as minority interest as noncontrolling interest. SFAS No. 160 also requires the Company to show the amount of net income attributable to both the Company and the noncontrolling interest on the face of the statement of operations and in the summary of comprehensive income. The effect of adoption was an increase of $101 to total stockholders equity on the Company s December 31, 2008 balance sheet, and a corresponding decrease to minority interests.

As of June 30, 2009, the Company adopted the provisions of SFAS No. 165, *Subsequent Events.* SFAS No. 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. Specifically, SFAS No. 165 sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The adoption of SFAS No. 165 had no impact on the Company s financial statements since management already followed a similar approach prior to the adoption of this standard. In connection with the preparation of the condensed consolidated financial statements and in accordance with SFAS No. 165, management evaluated subsequent events after the balance sheet date of June 30, 2009 through September 30, 2009, the date the financial statements were issued.

Note 4 Plant Closure

In December 2007, the Company announced that it planned to close its manufacturing facility located in Johnstown, Pennsylvania. This action was taken to further the Company s strategy of optimizing production at its low-cost facilities and continuing its focus on cost control.

On May 6, 2008, an arbitrator issued a ruling in a grievance proceeding brought against the Company by the United Steelworkers of America (the USWA). The grievance proceeding, which was first filed by the USWA on April 1, 2007, surrounded the interpretation of provisions in the collective bargaining agreement (CBA) covering employees at the Johnstown facility. The dispute involved the interpretation of language regarding the classification of employees years of service and the Company s obligations to employees based on their years of service. The arbitrator s ruling held the Company respon