TRINITY INDUSTRIES INC
Form 10-K
February 17, 2017

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K
(Mark One)
þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 1-6903
(Exact name of registrant as specified in its charter)

Delaware	75-0225040
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
2525 N. Stemmons Freeway, Dallas, Texas	75207-2401
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (214) 631-4420
Securities Registered Pursuant to Section 12(b) of the Act

Title of each class	Name of each exchange on which registered
Common Stock ($0.01 par value)	New York Stock Exchange, Inc.

Securities registered Pursuant to Section 12(g) of the Act: None
Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨
Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No þ
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 þ 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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.
Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
(Do not check if a smaller reporting company)
Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ
The aggregate market value of voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the Registrant's most recently

completed second fiscal quarter (June 30, 2016) was $2,780.4 million.
At January 31, 2017 the number of shares of common stock outstanding was 152,189,108.
The information required by Part III of this report, to the extent not set forth herein, is incorporated by reference from the Registrant's definitive 2017 Proxy Statement.

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PART I

Item 1. Business.

General Development of Business. Trinity Industries, Inc. and its consolidated subsidiaries, ("Trinity", "Company", "we", or "our") headquartered in Dallas, Texas, is a diversified industrial company that owns complementary market-leading businesses providing products and services to the energy, chemical, agriculture, transportation, and construction sectors, among others. Trinity was incorporated in 1933.

Trinity became a Delaware corporation in 1987. Our principal executive offices are located at 2525 N. Stemmons Freeway, Dallas, Texas 75207-2401, our telephone number is 214-631-4420, and our Internet website address is www.trin.net.

Financial Information About Industry Segments. Financial information about our industry segments for the years ended December 31, 2016, 2015, and 2014 is presented in Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Narrative Description of Business. As a diversified industrial company, we manufacture and sell a variety of products and services principally including:

- railcars and railcar parts;
- parts and steel components;
- the leasing, management, and maintenance of railcars;
- highway products;
- construction aggregates;
- inland barges;
- structural wind towers;
- steel utility structures;
- storage and distribution containers; and
- trench shields and shoring products.

We serve our customers through the following five business groups:

Rail Group. Through wholly-owned subsidiaries with manufacturing facilities in the U.S. and Mexico, our Rail Group is a leading manufacturer of freight and tank railcars in North America used for transporting a wide variety of liquids, gases, and dry cargo (the "Rail Group").

The Rail Group offers a complete array of railcar solutions to our customers. We are capable of manufacturing a full line of railcars, including:

Autorack Cars - Autoracks and flatcars transport finished automobiles, SUV's, and light trucks.

Box Cars - Box cars carry a wide variety of bulk cargo such as auto parts, paper, and food products.

Covered Hopper Cars - Covered hopper cars transport commodities such as industrial sand and cement, grain products, dry fertilizer, and plastics. Pressure differential covered hopper cars carry products such as flour and starch.

Gondola Cars - Rotary gondola cars are primarily used for coal service. Other gondola cars carry bulk commodities such as scrap metal, aggregates, ores, and finished steel.

Intermodal Cars - Intermodal cars transport shipping containers in single or double stacked configurations as well as truck trailers.

Open Hopper Cars - Open hopper cars are used to transport coal, aggregates, and other similar products.

Tank Cars - Non-pressurized tank cars transport a wide variety of liquid commodities including chemicals, food products, and petroleum products. Pressurized tank cars are used to transport liquefied gases.

Our Rail Group is capable of manufacturing a diversified railcar product line, allowing us to capitalize on changing industry trends and developing opportunities in various markets including the energy, chemical, agriculture, automotive, and construction markets. Through plants in Mexico and the U.S., we are a leading manufacturer of railcar axles and coupling devices in North America and also manufacture and sell a variety of other railcar parts and components used in manufacturing and repairing railcars. We provide railcar maintenance services at multiple facilities in the U.S.

Our customers include railroads, leasing companies, and industrial shippers of products, such as utilities, petrochemical companies, grain shippers, agricultural product companies, and major construction and industrial companies. We compete in the North American market primarily against five major railcar manufacturers.

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For the year ended December 31, 2016 we shipped 27,240 railcars, or 42% of total North American railcar shipments. As of December 31, 2016, our Rail Group backlog consisted of 29,220 railcars valued at $3.0 billion. This amount included approximately $0.9 billion in orders from our Railcar Leasing and Management Services Group ("Leasing Group"). The orders in our backlog from the Leasing Group are fully supported by lease commitments with external customers. The final amount dedicated to the Leasing Group may vary by the time of delivery as customers may alternatively choose to purchase railcars as external sales from the Rail Group.

We hold patents of varying duration for use in our manufacture of railcars and components. We believe patents offer a marketing advantage in certain circumstances. No material revenues are received from the licensing of these patents.

Railcar Leasing and Management Services Group. Our Railcar Leasing and Management Services Group is a leading provider in North America of comprehensive rail industry services. Through wholly-owned subsidiaries, primarily Trinity Industries Leasing Company ("TILC"), and partially-owned subsidiaries, TRIP Rail Holdings LLC ("TRIP Holdings") and RIV 2013 Rail Holdings LLC ("RIV 2013"), we offer operating leases for tank and freight railcars. Trinity's Rail Group and TILC coordinate sales and marketing activities under the registered trade name TrinityRail®, thereby providing a single point of contact for railroads and shippers seeking rail equipment and services.

In addition, TILC originates and manages railcar leases for third-party investor-owned funds and provides fleet maintenance and management services to industrial shippers. Our affiliations with third-party investor-owned funds, through strategic railcar alliances and the formation of railcar investment vehicles, combined with TILC's fleet maintenance and management services capabilities, complement our leasing business by generating stable fee income, strengthening customer relationships, and enhancing the view of TrinityRail® as a leading provider of railcar products and services.

The railcars in our lease fleet are leased to industrial shippers and railroads. These companies operate in various markets including the chemical, agricultural, automotive, and energy industries. Substantially all of the railcars in our lease fleet were manufactured by our Rail Group. The terms of our railcar leases generally vary from one to twenty years and provide for fixed monthly rentals, predominantly under full-service leases. A small percentage of our fleet is leased on a per diem basis. As of December 31, 2016, the lease fleet of our subsidiaries included 85,110 owned or leased railcars that were 97.6% utilized. Of this total, 75,550 railcars were owned by TILC or its affiliates and 9,560 railcars were financed in sale-leaseback transactions. Total railcars under management including those managed for third-parties totaled 103,840 railcars.

Our railcar leasing businesses compete against a number of well-established entities that are also in the business of leasing railcars.

Construction Products Group. Through wholly-owned subsidiaries, our Construction Products Group manufactures highway products as well as other primarily-steel products for infrastructure-related projects; and mines and produces construction aggregates. Many of these lines of business are seasonal and revenues are impacted by weather conditions and fluctuations in government spending levels.

Our highway products business is a leading U.S. manufacturer of guardrail, crash cushions, and other barriers. The Federal Highway Administration, which determines product eligibility for cost reimbursement using federal funds, has approved many of our products as eligible for federal-aid reimbursement based on satisfactory performance testing pursuant to criteria established under either the National Cooperative Highway Research Program Report 350 or the Manual for Assessing Safety Hardware, as applicable. Our crash cushion, barrier, and guardrail products include multiple proprietary products manufactured under license from certain public and private research organizations and inventors as well as Company-held patents. We sell highway products in Canada, Mexico, and throughout the U.S., and we export highway products, including proprietary products, internationally. The Company does not perform any installation services with respect to its highway products, except minimally in Mexico. We compete against several national and regional highway products manufacturers.

We are a leading producer and distributor of lightweight and natural construction aggregates, including expanded shale and clay; crushed stone; sand and gravel; asphalt rock; and various other products in the Western and Southwestern U.S. Our construction aggregates customers are concrete producers; commercial, residential, and highway contractors; manufacturers of masonry products; and state and local governments. We compete with lightweight construction aggregates producers nationwide and natural construction aggregates producers located in the regions where we operate.

We also manufacture a line of trench shields and shoring products for the construction industry.

Inland Barge Group. Through wholly-owned subsidiaries, our Inland Barge Group is a leading U.S. manufacturer of inland barges and fiberglass barge covers. We manufacture a variety of dry cargo barges, such as deck barges, and open or covered hopper barges that transport various commodities, such as grain, coal, and aggregates. We also manufacture tank barges used to transport liquids including chemicals and a variety of petroleum products. Our fiberglass reinforced lift covers are used primarily for grain barges. Our barge manufacturing facilities are located along the U.S. inland river systems, allowing for rapid delivery to our customers. Our Inland Barge Group backlog as of December 31, 2016 was approximately $120.0 million.

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Our primary Inland Barge customers are commercial marine transportation companies. Many companies have the capability to enter into, and from time to time do enter into, the inland barge manufacturing business. We strive to compete through operational efficiency, timely delivery, and quality products. We have a number of competitors for our products in this industry.

Energy Equipment Group. Through wholly-owned subsidiaries, our Energy Equipment Group manufactures structural wind towers; utility steel structures for electricity transmission and distribution; storage and distribution containers; cryogenic tanks; and tank heads for pressure and non-pressure vessels.

We are a leading manufacturer in North America of structural wind towers used in the wind energy market. These towers are manufactured in the U.S. and Mexico to customer specifications and installed by our customers. Our customers are generally wind turbine producers. Our structural wind towers backlog as of December 31, 2016 was approximately $1.1 billion.

We are one of the leading manufacturers in North America of steel utility structures for electricity transmission and distribution, which are used principally by municipalities and other local and state governmental entities, as well as by public and private utilities. These structures are manufactured in the U.S. and Mexico to customer specifications and installed by our customers.

We are a leading manufacturer in North America of storage and distribution containers. We manufacture these products in the U.S., Mexico, and Canada. We market a portion of our products in Mexico under the brand name of TATSA®. Our storage and distribution containers support the oil, gas, and chemical industries and are used by industrial plants, utilities, residences, and small businesses in suburban and rural areas. Additionally, we manufacture fertilizer storage and distribution containers for bulk storage, farm storage, and the application and distribution of anhydrous ammonia. We also manufacture cryogenic tanks and trailers for the distribution of industrial gases and liquefied natural gas. Our storage and distribution container products range from nine-gallon containers for motor fuel use to 1.8 million-gallon bulk storage spheres. We sell our storage and distribution containers to dealers and large industrial users. We generally deliver storage and distribution containers to our customers who install and fill the containers. Our competitors include large and small manufacturers of storage and distribution containers. Additionally, we manufacture and sell oil and gas process and storage equipment.

We also manufacture tank heads, which are pressed metal components used in the manufacturing of many of our finished products, both pressure rated and non-pressure rated, depending on their intended use. We use a significant portion of the tank heads we manufacture in the production of our railcars and storage and distribution containers. We also sell our tank heads to a broad range of other manufacturers. There are many competitors in the tank heads business.

There are a number of well-established entities that actively compete with us in the business of manufacturing energy equipment.

All Other. All Other includes our captive insurance and transportation companies; legal, environmental, and maintenance costs associated with non-operating facilities; and other peripheral businesses.

Foreign Operations. Trinity's foreign operations are primarily located in Mexico. Continuing operations included sales to foreign customers, primarily in Mexico, which represented 7.7%, 7.0%, and 5.8% of our consolidated revenues for the years ended December 31, 2016, 2015, and 2014, respectively. As of December 31, 2016 and 2015, we had 3.3% and 3.9%, respectively, of our long-lived assets located outside the U.S. We manufacture railcars, storage and distribution containers, tank heads, structural wind towers, steel utility structures, parts and steel components, and other products at our Mexico facilities for local consumption as well as for export to the U.S. and other countries.

Backlog. As of December 31, 2016 and 2015, our backlog of firm orders was as follows:

	December 31, 2016	December 31, 2015
	(in millions)	
Rail Group		
External Customers	$2,156.6	$ 3,948.5
Leasing Group	850.9	1,452.7
	$3,007.5	$ 5,401.2

Inland Barge Group	$120.0	$ 416.0
Wind towers	$1,148.4	$ 371.3

For the twelve months ended December 31, 2016, our rail manufacturing businesses received orders for 7,825 railcars. The change in backlog as of December 31, 2016 compared with our backlog as of December 31, 2015 reflects the value of orders taken, net of cancellations during 2016 totaling 250 railcars, executory contract change orders and price modifications, and orders delivered during the year. The orders in our backlog from the Leasing Group are fully supported by lease commitments with external customers. The final amount dedicated to the Leasing Group may vary by the time of delivery as customers may alternatively choose to purchase railcars as external sales from the Rail Group. Approximately 41% of our railcar backlog is expected to be delivered during the twelve months ending December 31, 2017 with the remainder to be delivered from 2018 through 2021. Substantially all of our Inland Barge backlog is expected to be delivered during the twelve months ending December 31, 2017.

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Approximately 30% of our structural wind towers backlog is expected to be delivered during the twelve months ending December 31, 2017 with the remainder to be delivered during 2018 and 2019. The Company does not report backlog from its utility structures business because certain contracts contain partial order cancellation provisions.

Marketing. We sell or lease substantially all of our products and services through our own sales personnel operating from offices in multiple locations in the U.S. as well as Canada, Mexico, the United Kingdom, Singapore, Sweden, and Peru. We also use independent sales representatives on a limited basis.

Raw Materials and Suppliers.

Railcar Specialty Components and Steel. Products manufactured at our railcar manufacturing facilities require a significant supply of raw materials such as steel, as well as numerous specialty components such as brakes, wheels, axles, side frames, bolsters, and bearings. Although the number of alternative suppliers of specialty components has declined in recent years, at least two suppliers continue to produce most components.

The principal material used in our manufacturing segments is steel. During 2016, the supply of steel was sufficient to support our manufacturing requirements. Market steel prices continue to exhibit periods of volatility and ended 2016 higher than 2015. Steel prices may be volatile in the future in part as a result of market conditions. We often use contract-specific purchasing practices, existing supplier commitments, contractual price escalation provisions, and other arrangements with our customers, to mitigate the effect of steel price volatility on our operating profits for the year. In general, we believe there is enough capacity in the supply industry to meet current production levels and that our existing contracts and other relationships we have in place will meet our current production forecasts.

Construction Aggregates. Aggregates can be found throughout the U.S., and many producers exist nationwide. Shipments of natural construction aggregates from an individual quarry are generally limited in geographic scope because the cost of transporting processed construction aggregates to customers is high in relation to the value of the product itself. Lightweight construction aggregates have a much wider, multi-state distribution area due to their higher value relative to their distribution costs. We currently operate mining facilities located in Texas, Louisiana, Alabama, Colorado, and California.

Employees. The following table presents the approximate headcount breakdown of employees by business group:

Business Group	December 31, 2016
Rail Group	9,090
Construction Products Group	1,370
Inland Barge Group	980
Energy Equipment Group	5,230
Railcar Leasing and Management Services Group	200
All Other	450
Corporate	360
	17,680

As of December 31, 2016, approximately 8,350 employees were employed in the U.S. and 9,270 employees were employed in Mexico.

Acquisitions and Divestitures. See Note 2 of the Notes to Consolidated Financial Statements.

Environmental Matters. We are subject to comprehensive federal, state, local, and foreign environmental laws and regulations relating to the release or discharge of materials into the environment; the management, use, processing, handling, storage, transport, and disposal of hazardous and non-hazardous waste and materials; and other activities relating to the protection of human health, natural resources, and the environment.

Environmental operating permits are, or may be, required for our operations under these laws and regulations. These operating permits are subject to modification, renewal, and revocation. We regularly monitor and review our operations, procedures, and policies for compliance with our operating permits and related laws and regulations. We believe that our operations and facilities, whether owned, managed, or leased, are in substantial compliance with applicable environmental laws and regulations and that any non-compliance is not likely to have a material adverse effect on our operations or financial condition.

Governmental Regulation.

Railcar Industry. Our railcar and related manufacturing, maintenance services, and leasing businesses are regulated by multiple governmental regulatory agencies such as the U.S. Environmental Protection Agency ("USEPA"); Transport Canada ("TC"); the U.S. Department of Transportation ("USDOT") and the administrative agencies it oversees, including the Federal Railroad Administration ("FRA"), the Pipeline and Hazardous Materials Safety Administration ("PHMSA"), and the Research and Special Programs Administration; and industry authorities such as the Association of American Railroads ("AAR"). All such agencies and

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authorities promulgate rules, regulations, specifications, and operating standards affecting railcar design, configuration, and mechanics; maintenance, and rail-related safety standards for railroad equipment, tracks, and operations, including the packaging and transportation of hazardous or toxic materials. We believe that our product designs and operations are in compliance with these specifications, standards, and regulations applicable to our business.

Revised regulations pertaining to the transportation of flammable materials by rail are now in effect. These regulatory changes materially impact: the rail industry as a whole; railroad operations; older and newer tank railcars that met or exceeded prior regulatory requirements and standards; future tank railcar specifications; and market decisions relative to capital investment in rail products.

Inland Barge Industry. The primary regulatory and industry authorities involved in the regulation of the inland barge industry are the U.S. Coast Guard; the U.S. National Transportation Safety Board; the U.S. Customs Service; the Maritime Administration of the USDOT; and private industry organizations such as the American Bureau of Shipping. These organizations establish safety criteria, investigate vessel accidents, and recommend improved safety standards. We believe that our product specifications and operations are in compliance with the laws and regulations applicable to our business.

Highway Products. The primary regulatory and industry authorities involved in the regulation of highway products manufacturers are the USDOT, the Federal Highway Administration ("FHWA"), and various state highway departments and administrative agencies. These organizations, with participation from the American Association of State Highway and Transportation Officials ("AASHTO"), establish certain specifications, product testing criteria, and performance standards related to the manufacture of our highway products. We believe that our highway products are in compliance with the standards and specifications applicable to our business.

Storage and Distribution Containers. The primary regulatory authorities involved in the regulation of manufacturers of storage, transportation, and distribution containers are the PHMSA and the Federal Motor Carrier Safety Administration ("FMCSA"), both agencies being part of the USDOT. These agencies promulgate and interpret rules and regulations and issue approvals and special permits pertaining, in part, to the manufacture of containers that are used in the storage, transportation, and distribution of regulated and non-regulated substances. We believe that our storage and distribution containers are in compliance with the rules, regulations, and permits applicable to our business.

Occupational Safety and Health Administration and Similar Regulations. Our operations are subject to regulation of health and safety matters by the U.S. Occupational Safety and Health Administration and the U.S. Mine Safety and Health Administration. We believe that we employ appropriate precautions to protect our employees and others from workplace injuries and harmful exposure to materials handled and managed at our facilities. However, claims that may be asserted against us for work-related illnesses or injury and the further adoption of occupational and mine safety and health regulations in the U.S. or in foreign jurisdictions in which we operate could increase our operating costs. While we do not anticipate having to make material expenditures in order to remain in substantial compliance with health and safety laws and regulations, we are unable to predict the ultimate cost of compliance.

See Item 1A for further discussion of risk factors with regard to environmental, governmental, and other matters.

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Executive Officers and Other Corporate Officers of the Company.

The following table sets forth the names and ages of all of our executive officers and other corporate officers, their positions and offices presently held by them, and the year each person first became an officer. All officer terms expire in May 2017.

Name	Age	Office	Officer Since
Timothy R. Wallace*	63	Chairman, Chief Executive Officer, and President	1985
James E. Perry*	45	Senior Vice President and Chief Financial Officer	2005
Melendy E. Lovett*	58	Senior Vice President and Chief Administrative Officer	2014
William A. McWhirter II*	52	Senior Vice President and Group President	2005
D. Stephen Menzies*	61	Senior Vice President and Group President	2001
S. Theis Rice*	66	Senior Vice President and Chief Legal Officer	2002
Kathryn A. Collins	53	Vice President, Human Resources	2014
Virginia C. Gray, Ph.D.	57	Vice President, Organizational Development	2007
Mary E. Henderson*	58	Vice President and Chief Accounting Officer	2009
W. Relle Howard	47	Vice President, Information Technology	2016
John M. Lee	56	Vice President, Business Development	1994
Steven L. McDowell	55	Vice President and Chief Audit Executive	2013
Gail M. Peck	49	Vice President, Finance and Treasurer	2010
Stephen W. Smith	67	Vice President and Chief Technical Officer	2012
Bryan P. Stevenson	43	Vice President, Associate General Counsel and Secretary	2015
Sarah Teachout	44	Vice President and Deputy General Counsel	2016
Jack Todd	53	Vice President, Public Affairs	2015

*Executive officer subject to reporting requirements under Section 16 of the Securities Exchange Act of 1934.

The following officers, for the preceding five years, have either not been in full time employment with the Company or have had changes in responsibilities during that period:

Ms. Collins joined Trinity in 2014 as Vice President, Human Resources. Prior to joining Trinity, she worked for RealPage, Inc. from 2012 to 2014, most recently serving as Vice President, Talent Management and HR Systems. She served as Divisional Vice President, Organization Effectiveness and Vice President, Associate Recruitment at J.C. Penney Company, Inc. where she held management and executive positions from 2009 to 2012.

Mr. Howard joined the Company in 2016 as Vice President, Information Technology. Prior to joining Trinity, he worked for Flowserve Corporation from 2009 to 2016, serving as Vice President Information Technology, Operating Divisions and, beginning in 2014, as Global Vice President, Information Technology.

Ms. Lovett joined the Company in 2014 as Senior Vice President and Chief Administrative Officer. A member of the Company's Board of Directors since 2012, Ms. Lovett resigned her Board position at the time of her appointment as an officer of the Company. Prior to joining Trinity in 2014, she was the Senior Vice President and President of the Education Technology business, for Texas Instruments, a major semiconductor manufacturer.

Mr. McWhirter joined the Company in 1985 and held various accounting positions until 1992, when he became a business group officer. In 1999, he was elected to a corporate position as Vice President for Mergers and Acquisitions. In 2001, he was named Executive Vice President of a business group. In March 2005, he became Vice President and Chief Financial Officer and in 2006, Senior Vice President and Chief Financial Officer. In 2010, Mr. McWhirter was named Senior Vice President and Group President of the Construction Products and Inland Barge Groups. In 2012, Mr. McWhirter was named Senior Vice President and Group President of the Construction Products, Energy Equipment, and Inland Barge Groups.

Mr. McDowell joined the Company in 2013 as Vice President and Chief Audit Executive. Prior to joining Trinity, he worked for Dean Foods from 2007 to 2013, where he held a variety of management positions and most recently served as Vice President, Internal Audit and Risk Management. Prior to his tenure at Dean Foods, he served as Vice President - Internal Audit at Centex Corporation.

Ms. Peck joined Trinity in 2010 as Treasurer and was appointed Vice President and Treasurer in 2011 and Vice President, Finance and Treasurer in 2014. Prior to joining Trinity, she worked for Centex Corporation from 2001 to 2009, serving as Vice President and Treasurer beginning in 2004.

Mr. Rice joined the Company in 1991 and held various legal and business positions until 2005, when he was elected Vice President and Chief Legal Officer. He was named Senior Vice President, Human Resources and Chief Legal Officer in 2011 and was named Senior Vice President and Chief Legal Officer in 2013.

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Mr. Smith joined the Company in 1976 and held various engineering positions, advancing to Senior Vice President Engineering for TrinityRail®. In 2008, Mr. Smith was promoted to a corporate position serving as an engineering and technical advisor to Trinity's Group Presidents and corporate officers. In 2012, Mr. Smith was elected Vice President and was named Chief Technical Officer in 2013.

Mr. Stevenson joined the Company in 2015 as Associate General Counsel and Secretary and was appointed Vice President, Associate General Counsel and Secretary in 2016. Prior to joining Trinity, Mr. Stevenson was Vice President, General Counsel and Secretary for U.S. Auto Parts Network, Inc. from 2011 to 2015, where he oversaw all of the company's legal efforts. Prior to his tenure at U.S. Auto Parts, he served as Vice President, Associate General Counsel for Blockbuster, Inc., which he joined as Senior Corporate Counsel in 2004. Before Mr. Stevenson joined Blockbuster, he worked at the law firm of Beirne, Maynard & Parsons, LLP.

Ms. Teachout joined the Company in 2015 as Deputy General Counsel and was elected Vice President and Deputy General Counsel in 2016. Prior to joining Trinity, Ms. Teachout was a partner at the law firm of Akin Gump Strauss Hauer & Feld LLP from 2012 to 2015. Before joining Akin Gump, Ms. Teachout had been a partner at the law firm of Haynes and Boone, LLP since 2007.

Mr. Todd joined Trinity in 2006, initially serving as Director of Public Affairs for the Construction, Energy, Marine, and Components Group. Since 2009, Mr. Todd has held several leadership positions at Trinity, culminating in his election in 2015 as Vice President, Public Affairs. Prior to joining Trinity, Mr. Todd had a distinguished 20-year career in the U.S. Navy retiring as a Lieutenant Commander.

Messrs. Wallace, Perry, Menzies, and Lee, Ms. Henderson, and Dr. Gray have been in full time employment of Trinity or its subsidiaries for more than five years and have performed essentially the same respective duties during such time.

Item 1A. Risk Factors.

Our business is subject to a number of risks which are discussed below. There are risks and uncertainties that could cause our actual results to be materially different from those mentioned in forward-looking statements that we make from time to time in filings with the Securities and Exchange Commission (“SEC”), news releases, reports, proxy statements, registration statements, and other written communications, as well as oral forward-looking statements made from time to time by representatives of our Company. All known material risks and uncertainties are described below. You should consider carefully these risks and uncertainties in addition to the other information contained in this report and our other filings with the SEC including our subsequent reports on Forms 10-Q and 8-K, and any amendments thereto before deciding to buy, sell, or hold our securities. If any of the following known risks or uncertainties actually occurs with material adverse effects on us, our business, financial condition, results of operations, and/or liquidity could be harmed. In that event, the market price for our common stock could decline and you may lose all or part of your investment.

The cautionary statements below discuss important factors that could cause our business, financial condition, operating results, and cash flows to be materially adversely affected. Readers are cautioned not to place undue reliance on the forward-looking statements contained herein. We undertake no obligations to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

Many of the industries in which we operate are cyclical, and, accordingly, our business is subject to changes in the economy. We operate in cyclical industries. Downturns in economic conditions usually have a significant adverse effect on cyclical industries due to decreased demand for new and replacement products. Decreased demand could result in lower sales volumes, lower prices, and/or a decline in or loss of profits. The railcar, barge, and wind energy industries have previously experienced sharp cyclical downturns and at such times operated with a minimal backlog. While the business cycles of our different operations may not typically coincide, an economic downturn could affect disparate cycles contemporaneously. The impacts of such an economic downturn may magnify the adverse effect on our business.

Volatility in the global markets may adversely affect our business and operating results. Instability in the global economy, negative conditions in the global credit markets, volatility in the industries that our products serve, fluctuations in commodity prices that our customers produce and transport, changes in legislative policy, adverse changes in the availability of raw materials and supplies, or adverse changes in the financial condition of our customers could lead to customers' requests for deferred deliveries of our backlog orders. Additionally such events could result in our customers' attempts to unilaterally cancel or terminate firm contracts or orders in whole or in part resulting in contract breaches or purchase order breaches, and increased commercial litigation costs. Such occurrences could adversely affect our cash flows and results of operations.

If volatile conditions in the global credit markets prevent our customers' access to credit, product order volumes may decrease or customers may default on payments owed to us. Likewise, if our suppliers face challenges obtaining credit, selling their products to customers that require purchasing credit, or otherwise operating their businesses, the supply of materials we purchase from them to manufacture our products may be interrupted. Any of these conditions or events could result in reductions in our revenues,

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increased price competition, or increased operating costs, which could adversely affect our business, results of operations, and financial condition.

Litigated disputes and other claims could increase our costs and weaken our financial condition. We are currently, and may from time to time be, involved in various claims or legal proceedings arising out of our operations. Adverse judgments and outcomes in some or all of these matters could result in significant losses and costs that could weaken our financial condition. Although we maintain reserves for our reasonably estimable liability, our reserves may be inadequate to cover our portion of claims or final judgments after taking into consideration rights in indemnity and recourse to third parties as a result of which there could be a material adverse effect on our business, operations, or financial condition. See Note 18 of the Consolidated Financial Statements for a summary of the Company's Highway Products litigation.

Changes in the price and demand for steel could lower our margins and profitability. The principal material used in our manufacturing segments is steel. Market steel prices may exhibit periods of volatility. Steel prices may experience further volatility as a result of scrap surcharges assessed by steel mills and other market factors. We often use contract-specific purchasing practices, existing supplier commitments, contractual price escalation provisions, and other arrangements with our customers to mitigate the effect of this volatility on our operating profits for the year. To the extent that we do not have such arrangements in place, a change in steel prices could materially lower our profitability. In addition, meeting production demands is dependent on our ability to obtain a sufficient amount of steel. An unanticipated interruption in our supply chain could have an adverse impact on both our margins and production schedules.

We have potential exposure to environmental liabilities that may increase costs and lower profitability. We are subject to comprehensive federal, state, local, and foreign environmental laws and regulations relating to: (i) the release or discharge of materials into the environment at our facilities or with respect to our products while in operation; (ii) the management, use, processing, handling, storage, transport, and disposal of hazardous and non-hazardous waste, substances, and materials; and (iii) other activities relating to the protection of human health and the environment. Such laws and regulations expose us to liability for our own acts and in certain instances potentially expose us to liability for the acts of others. These laws and regulations also may impose liability on us currently under circumstances where at the time of the action taken, our acts or those of others complied with then applicable laws and regulations. In addition, such laws may require significant expenditures to achieve compliance, and are frequently modified or revised to impose new obligations. Civil and criminal fines and penalties may be imposed for non-compliance with these environmental laws and regulations. Our operations involving hazardous materials also raise potential risks of liability under common law.

Environmental operating permits are, or may be, required for our operations under these laws and regulations. These operating permits are subject to modification, renewal, and revocation. Although we regularly monitor and review our operations, procedures, and policies for compliance with our operating permits and related laws and regulations, the risk of environmental liability is inherent in the operation of our businesses, as it is with other companies operating under environmental permits.

However, future events, such as changes in, or modified interpretations of, existing environmental laws and regulations or enforcement policies, or further investigation or evaluation of the potential health hazards associated with the manufacture of our products and related business activities and properties, may give rise to additional compliance and other costs that could have a material adverse effect on our financial condition and operations.

In addition to environmental laws, the transportation of commodities by railcar, barge, or container raises potential risks in the event of an accident that results in the release of an environmentally sensitive substance. Generally, liability under existing laws for a derailment or other accident depends upon causation analysis and the acts, errors, or omissions, if any, of a party involved in the transportation activity, including, but not limited to, the railroad, the shipper, the buyer and seller of the substances being transported, or the manufacturer of the railcar, barge, or container, or its components. Additionally, the severity of injury or property damage arising from an incident may influence the causation responsibility analysis, exposing the Company to potentially greater liability. Under certain circumstances, strict liability concepts may apply and if we are found liable in any such incident, it could have a material adverse effect on our financial condition, business, and operations.

We operate in highly competitive industries. We may not be able to sustain our market leadership positions, which may impact our financial results. We face aggressive competition in all geographic markets and each industry sector in which we operate. In addition to price, we face competition in respect to product performance and technological innovation, quality, reliability of delivery, customer service, and other factors. The effects of this competition, which is often intense, could reduce our revenues and operating profits, limit our ability to grow, increase pricing pressure on our products, and otherwise affect our financial results.

The limited number of customers for certain of our products, the variable purchase patterns of our customers in all of our segments, and the timing of completion, delivery, and customer acceptance of orders may cause our revenues and income from operations to vary substantially each quarter, potentially resulting in significant fluctuations in our quarterly results. Some of the markets we serve have a limited number of customers. The volumes purchased by customers in each of our business segments vary from year to year, and not all customers make purchases every year. As a result, the order levels for our products have varied significantly from quarterly period to quarterly period in the past and may continue to vary significantly in the future. Therefore, our results of operations in any particular quarterly period may also vary. As a result of these quarterly fluctuations, we believe

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that comparisons of our sales and operating results between quarterly periods may not be meaningful and should not be relied upon as indicators of future performance.

Our access to capital may be limited or unavailable due to deterioration of conditions in the global capital markets, weakening of macroeconomic conditions, and negative changes in our credit ratings. In general, the Company, and more specifically its leasing subsidiaries' operations, relies in large part upon banks and capital markets to fund its operations and contractual commitments and refinance existing debt. These markets can experience high levels of volatility and access to capital can be constrained for extended periods of time. In addition to conditions in the capital markets, a number of other factors could cause the Company to incur increased borrowing costs and have greater difficulty accessing public and private markets for both secured and unsecured debt. These factors include the Company's financial performance and its credit ratings and rating outlook as determined primarily by rating agencies such as Standard & Poor's Financial Services LLC, Moody's Investors Service, Inc., and Fitch Ratings, Inc. If the Company is unable to secure financing on acceptable terms, the Company's other sources of funds, including available cash, bank facilities, and cash flow from operations may not be adequate to fund its operations and contractual commitments and refinance existing debt.

We may be unable to maintain railcar assets on lease at satisfactory lease rates. The profitability of our railcar leasing business depends on our ability to lease railcars at satisfactory lease rates, to re-lease railcars at satisfactory lease rates upon the expiration and non-renewal of existing leases, and to sell railcars in the secondary market as part of our ordinary course of business. Our ability to lease, re-lease, maintain satisfactory lease rates, or sell leased or unleased railcars profitably is dependent upon several factors, including, among others:

•the cost of and demand for leases or ownership of newer or specific-use railcar types;

•the general availability in the market of competing used or new railcars;

•the degree of obsolescence of leased or unleased railcars, including railcars subject to regulatory obsolescence;

•the prevailing market and economic conditions, including the availability of credit, interest rates, and inflation rates;

•the market demand or governmental mandate for refurbishment; and

•the volume and nature of railcar traffic and loadings

A downturn in the industries in which our lessees operate and decreased demand for railcars could also increase our exposure to re-marketing risk because lessees may demand shorter lease terms or newer railcars, requiring us to re-market leased railcars more frequently. Furthermore, the resale market for previously leased railcars has a limited number of potential buyers. Our inability to re-lease or sell leased or unleased railcars on favorable terms could result in lower lease rates, lower lease utilization percentages, and reduced revenues and operating profit.

Fluctuations in the price and supply of raw materials and parts and components used in the production of our products could have a material adverse effect on our ability to cost-effectively manufacture and sell our products. In some instances, we rely on a limited number of suppliers for certain raw materials and parts and components needed in our production. A significant portion of our business depends on the adequate supply of numerous specialty and other parts and components at competitive prices such as brakes, wheels, side frames, bolsters, and bearings for the railcar business, as well as flanges for the structural wind towers business. Our manufacturing operations partially depend on our ability to obtain timely deliveries of raw materials, parts, and components in acceptable quantities and quality from our suppliers. Certain raw materials and parts and components for our products are currently available from a limited number of suppliers and, as a result, we may have limited control over pricing, availability, and delivery schedules. If we are unable to purchase a sufficient quantity of raw materials and parts and components on a timely basis, we could face disruptions in our production and incur delays while we attempt to engage alternative suppliers. Fewer suppliers could result from unimproved or worsening economic or commercial conditions, potentially increasing our rejections for poor quality and requiring us to source unknown and distant supply alternatives. Any such disruption or conditions could harm our business and adversely impact our results of operations.

Reductions in the availability of energy supplies or an increase in energy costs may increase our operating costs. We use various gases, including natural gas, at our manufacturing facilities and use diesel fuel in vehicles to transport our products to customers and to operate our plant equipment. An outbreak or escalation of hostilities between the U.S. and any foreign power and, in particular, prolonged conflicts could result in a real or perceived shortage of petroleum and/or natural gas, which could result in an increase in the cost of natural gas or energy in general. Extreme weather

conditions and natural occurrences such as hurricanes, tornadoes, and floods could result in varying states of disaster and a real or perceived shortage of petroleum and/or natural gas potentially resulting in an increase in natural gas prices or general energy costs. Speculative trading in energy futures in the world markets could also result in an increase in natural gas and general energy cost. Future limitations on the availability (including limitations imposed by increased regulation or restrictions on rail, road, and pipeline transportation of energy supplies) or consumption of petroleum products and/or an increase in energy costs, particularly natural gas for plant operations and diesel fuel for vehicles and plant equipment, could have an adverse effect upon our ability to conduct our business cost effectively.
Our manufacturer's warranties expose us to product replacement and repair claims. Depending on the product, we warrant against manufacturing defects due to our workmanship and certain materials (including surface coatings, primers, sealants, and interior linings), parts, and components pursuant to express limited contractual warranties. We may be subject to significant warranty

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claims in the future such as multiple claims based on one defect repeated throughout our production process or claims for which the cost of repairing or replacing the defective part, component or material is highly disproportionate to the original price. These types of warranty claims could result in significant costs associated with product recalls or product repair or replacement, and damage to our reputation.

Increasing insurance claims and expenses could lower profitability and increase business risk. The nature of our business subjects us to potential liability for claims alleging property damage and personal and bodily injury or death arising from the use of or exposure to our products, especially in connection with products we manufacture that our customers install along US highways or that our customers use to transport hazardous, flammable, toxic, or explosive materials. As policies expire, increased premiums for renewed or new coverage may further increase our insurance expense and/or require that we increase our self-insured retention or deductibles. The Company maintains primary coverage and excess coverage policies. If the number of claims or the dollar amounts of any such claims rise in any policy year we could suffer additional costs associated with accessing our excess coverage policies. Also, an increase in the loss amounts attributable to such claims could expose us to uninsured damages if we were unable or elected not to insure against certain claims because of high premiums or other reasons. While our liability insurance coverage is at or above levels based on commercial norms in our industries, an unusually large liability claim or a string of claims coupled with an unusually large damage award could exceed our available insurance coverage. In addition, the availability of, and our ability to collect on, insurance coverage is often subject to factors beyond our control. If any of our third-party insurers fail, cancel, or refuse coverage, or otherwise are unable to provide us with adequate insurance coverage, then our risk exposure and our operational expenses would increase and the management of our business operations would be disrupted. Moreover, any accident or incident involving our industries in general or us or our products specifically, even if we are fully insured, contractually indemnified, or not held to be liable, could negatively affect our reputation among customers and the public, thereby making it more difficult for us to compete effectively, and could significantly affect the cost and availability of insurance in the future.

Many of our products are sold to leasing companies, contractors, distributors, and installers who may misuse, abuse, improperly install or improperly or inadequately maintain or repair such products thereby potentially exposing the Company to claims that could increase our costs and weaken our financial condition. The products we manufacture are designed to work optimally when properly assembled, operated, installed, repaired, and maintained. When this does not occur, the Company may be subjected to claims or litigation associated with personal or bodily injuries or death and property damage.

Risks related to our operations outside of the U.S., particularly Mexico, could decrease our profitability. Our operations outside of the U.S. are subject to the risks associated with cross-border business transactions and activities. Political, legal, trade, economic change or instability, criminal activities, or social unrest could limit or curtail our respective foreign business activities and operations, including the ability to hire and retain employees. Violence in Mexico associated with drug trafficking is continuing. We have not, to date, been materially affected by any of these risks, but we cannot predict the likelihood of future effects from such risks or any resulting adverse impact on our business, results of operations, or financial condition. Many items manufactured by us in Mexico are sold in the U.S. and the transportation and import of such products may be disrupted. Some foreign countries where we operate have regulatory authorities that regulate products sold or used in those countries. If we fail to comply with the applicable regulations within the foreign countries where we operate, we may be unable to market and sell our products in those countries. In addition, with respect to operations in foreign countries, unexpected changes in laws, rules, and regulatory requirements; tariffs and other trade barriers, including regulatory initiatives for buying goods produced in America; more stringent or restrictive laws, rules, and regulations relating to labor or the environment; adverse tax consequences; price exchange controls; and restrictions or regulations affecting cross-border rail and vehicular traffic could limit operations affecting production throughput and making the manufacture and distribution of our products less timely or more difficult. Furthermore, any material change in the quotas, regulations, or duties on imports imposed by the U.S. government and agencies, or on exports by the government of Mexico or its agencies, could affect our ability to export products that we manufacture in Mexico. Because we have operations outside the U.S., we could be adversely affected by final judgments of non-compliance with the U.S. Foreign Corrupt Practices Act or import/export rules and regulations and similar anti-corruption, anti-bribery, or import/export laws of other countries.

U.S. government actions relative to the federal budget, taxation policies, government expenditures, U.S. borrowing/debt ceiling limits, and trade policies could adversely affect our business and operating results. Periods of impasse, deadlock, and last minute accords may continue to permeate many aspects of U.S. governance, including federal government budgeting and spending, taxation, U.S. deficit spending and debt ceiling adjustments, and international commerce. Such periods could negatively impact U.S. domestic and global financial markets thereby reducing customer demand for our products and services and potentially result in reductions in our revenues, increased price competition, or increased operating costs, any of which could adversely affect our business, results of operations, and financial condition. During the recent Presidential election campaign many statements were made about U.S. participation in multi-lateral versus bi-lateral international trade agreements and treaties such as the North America Free Trade Agreement (“NAFTA”). It is presently unclear what the U.S. government's intentions are pertaining to such agreements and treaties. We produce many of our products at our manufacturing facilities in Mexico. If a preference for bi-lateral trade agreements emerges, wholesale renegotiation of or a U.S. withdrawal from NAFTA could result in significant change or interruption to commercial transactions between the U.S. and Mexico that could adversely affect our business, financial condition, and results of operations.

Equipment failures or extensive damage to our facilities, including as might occur as a result of natural disasters, could lead to production, delivery, or service curtailments or shutdowns, loss of revenue or higher expenses. We operate a substantial amount of equipment at our production facilities, several of which are situated in tornado and hurricane zones and on navigable waterways in the U.S. An interruption in production capabilities or maintenance and repair capabilities at our facilities, as a result of equipment failure or acts of nature, including non-navigation orders resulting from low-water conditions issued from time to time by the U.S. Army Corps of Engineers on one or more U.S. rivers that serve our facilities, could reduce or prevent our production, delivery, service, or repair of our products and increase our costs and expenses. A halt of production at any of our manufacturing facilities could severely affect delivery times to our customers. While we maintain emergency response and business recovery plans that are intended to allow us to recover from natural disasters that could disrupt our business, we cannot provide assurances that our plans would fully protect us from the effects of all such disasters. In addition, insurance may not adequately compensate us for any losses incurred as a result of natural or other disasters, which may adversely affect our financial condition. Any significant delay in deliveries not otherwise contractually mitigated by favorable force majeure provisions could result in cancellation of all or a portion of our orders, cause us to lose future sales, and negatively affect our reputation and our results of operations.

Because we do not have employment contracts with our key management employees, we may not be able to retain their services in the future. Our success depends on the continued services of our key management employees, none of whom currently have an employment agreement with us. Although we have historically been largely successful in retaining the services of our key management, we may not be able to do so in the future. The loss of the services of one or more key members of our management team could result in increased costs associated with attracting and retaining a replacement and could disrupt our operations and result in a loss of revenues.

Repercussions from terrorist activities or armed conflict could harm our business. Terrorist activities, anti-terrorist efforts, and other armed conflict involving the U.S. or its interests abroad may adversely affect the U.S. and global economies, potentially preventing us from meeting our financial and other obligations. In particular, the negative impacts of these events may affect the industries in which we operate. This could result in delays in or cancellations of the purchase of our products or shortages in raw materials, parts, or components. Any of these occurrences could have a material adverse impact on our operating results, revenues, and costs.

Violations of or changes in the regulatory requirements applicable to the industries in which we operate may increase our operating costs. Our railcar manufacturing and leasing businesses are regulated by multiple governmental regulatory agencies such as the USEPA; TC; the USDOT and the administrative agencies it oversees, including the FRA, the PHMSA, and the Research and Special Programs Administration; and industry authorities such as the AAR. All such agencies and authorities promulgate rules, regulations, specifications, and operating standards affecting railcar design, configuration, and mechanics; maintenance, and rail-related safety standards for railroad equipment, tracks, and operations, including the packaging and transportation of hazardous or toxic materials.

Revised regulations pertaining to the transportation of flammable materials by rail are now in effect. These regulatory changes materially impact: the rail industry as a whole; railroad operations; older and newer tank railcars that met or exceeded prior regulatory requirements and standards; future tank railcar specifications; and market decisions relative to capital investment in rail products.

Our Inland Barge operations are subject to regulation by the U.S. Coast Guard; the U.S. National Transportation Safety Board; the U.S. Customs Service; the Maritime Administration of the U.S. Department of Transportation; and private industry organizations such as the American Bureau of Shipping. These organizations establish safety criteria, investigate vessel accidents and recommend improved safety standards.

Our Construction Products Group is subject to regulation by the USDOT; the FHWA; and various state highway departments and administrative agencies. These organizations, with participation from AASHTO, establish certain standards, specifications, and product testing criteria related to the manufacture of our highway products.

Our storage and distribution containers are subject to regulation by the PHMSA and the FMCSA, both of which are part of the USDOT. These agencies promulgate and enforce rules and regulations pertaining, in part, to the manufacture of containers that are used in the storage, transportation, and distribution of regulated and non-regulated substances.

Our operations are also subject to regulation of health and safety matters by the U.S. Occupational Safety and Health Administration and the U.S. Mine Safety and Health Administration. We believe we employ appropriate precautions to protect our employees and others from workplace injuries and harmful exposure to materials handled and managed at our facilities.

Future regulatory changes or the determination that our products or processes are not in compliance with applicable requirements, rules, regulations, specifications, standards, or product testing criteria might result in additional operating expenses, administrative fines or penalties, product recalls or loss of business that could have a material adverse effect on our financial condition and operations.

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Some of our customers place orders for our products in reliance on their ability to utilize tax benefits or tax credits such as accelerated depreciation or the production tax credit for renewable energy, or to recover the cost of products acquired to comply with federal requirements or standards. There is no assurance that the U.S. government will reauthorize, modify, or otherwise not allow the expiration of such tax benefits, tax credits, or reimbursement policies, and in cases where such subsidies and policies are materially modified to reduce the available benefit, credit, or reimbursement or are otherwise allowed to expire, the demand for our products could decrease, thereby creating the potential for a material adverse effect on our financial condition or results of operations.

We may be required to reduce the value of our long-lived assets and/or goodwill, which would weaken our financial results. We periodically evaluate for potential impairment the carrying values of our long-lived assets to be held and used. The carrying value of a long-lived asset to be held and used is considered impaired when the carrying value is not recoverable through undiscounted future cash flows and the fair value of the asset is less than the carrying value. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risks involved or market quotes as available. Impairment losses on long-lived assets held for sale are determined in a similar manner, except that fair values are reduced commensurate with the estimated cost to dispose of the assets. In addition, goodwill is required to be tested for impairment annually, or on an interim basis whenever events or circumstances change indicating that the carrying amount of the goodwill might be impaired. Impairment losses related to reductions in the value of our long-lived assets or our goodwill could weaken our financial condition and results of operations.

We may incur increased costs due to fluctuations in interest rates and foreign currency exchange rates. We are exposed to risks associated with fluctuations in interest rates and changes in foreign currency exchange rates. Under varying circumstances, we may seek to minimize these risks through the use of interest rate hedges and similar financial instruments and other activities, although these measures, if and when implemented, may not be effective. Any material and untimely changes in interest rates or exchange rates could result in significant losses to us.

Railcars as a significant mode of transporting freight could decline, become more efficient over time, experience a shift in types of modal transportation, and/or certain railcar types could become obsolete. As the freight transportation markets we serve continue to evolve and become more efficient, the use of railcars may decline in favor of other more economic transportation modalities or the number of railcars needed to transport current or an increasing volume of goods may decline. Features and functionality specific to certain railcar types could result in those railcars becoming obsolete as customer requirements for freight delivery change or as regulatory mandates are promulgated that affect railcar design, configuration, and manufacture.

Business, regulatory, and legal developments regarding climate change may affect the demand for our products or the ability of our critical suppliers to meet our needs. We have followed the current debate over climate change in general, and the related science, policy discussion, and prospective legislation. Some scientific studies have suggested that emissions of certain gases, commonly referred to as greenhouse gases (“GHGs”) which include carbon dioxide and methane, may be contributing to warming of the Earth’s atmosphere and other climate changes. Additionally, we periodically review the potential challenges and opportunities for the Company that climate change policy and legislation may pose. However, any such challenges or opportunities are heavily dependent on the nature and degree of climate change legislation and the extent to which it applies to our industries.

In response to an emerging scientific and political consensus, legislation and new rules to regulate emission of GHGs has been introduced in numerous state legislatures, the U.S. Congress, and by the EPA. Some of these proposals would require industries to meet stringent new standards that may require substantial reductions in carbon emissions. While Trinity cannot assess the direct impact of these or other potential regulations, it does recognize that new climate change protocols could affect demand for its products and/or affect the price of materials, input factors, and manufactured components. Potential opportunities could include greater demand for structural wind towers and certain types of railcars, while potential challenges could include decreased demand for certain types of railcars or other products and higher energy costs. Other adverse consequences of climate change could include an increased frequency of severe weather events and rising sea levels that could affect operations at our manufacturing facilities, the price of insuring company assets, or other unforeseen disruptions of the Company’s operations, systems, property, or equipment. Ultimately, when or if these impacts may occur cannot be assessed until scientific analysis and

legislative policy are more developed and specific legislative proposals begin to take shape.
Changes in accounting standards or inaccurate estimates or assumptions in the application of accounting policies could adversely affect our financial results. Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the reported value of our assets or liabilities and financial results and are critical because they require management to make difficult, subjective, and complex judgments about matters that are inherently uncertain. Accounting standard setters and those who interpret the accounting standards (such as the Financial Accounting Standards Board, the SEC, the Public Company Accounting Oversight Board, and our independent registered public accounting firm) may amend or even reverse their previous interpretations or positions on how these standards should be applied. These changes can be difficult to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements. For a further discussion of some of our critical accounting policies and standards and recent accounting changes, see Critical Accounting Policies and Estimates in Management's

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Discussion and Analysis of Financial Condition and Results of Operations and Note 1 Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements.

Shortages of skilled labor could adversely impact our operations. We depend on skilled labor in the manufacture, maintenance, and repair of our products. Some of our facilities are located in areas where demand for skilled laborers may exceed supply. Shortages of some types of skilled laborers, such as welders, could restrict our ability to maintain or increase production rates and could increase our labor costs.

Some of our employees belong to labor unions, and strikes or work stoppages could adversely affect our operations. We are a party to collective bargaining agreements with various labor unions at some of our operations in the U.S. and all of our operations in Mexico. Disputes with regard to the terms of these agreements or our potential inability to negotiate acceptable contracts with these unions in the future could result in, among other things, strikes, work stoppages or other slowdowns by the affected workers. We cannot be assured that our relations with our workforce will remain positive or that union organizers will not be successful in future attempts to organize at some of our facilities. If our workers were to engage in a strike, work stoppage or other slowdown, or other employees were to become unionized, or the terms and conditions in future labor agreements were renegotiated, we could experience a significant disruption of our operations and higher ongoing labor costs. In addition, we could face higher labor costs in the future as a result of severance or other charges associated with lay-offs, shutdowns or reductions in the size and scope of our operations or difficulties of restarting our operations that have been temporarily shuttered.

From time to time we may take tax positions that the Internal Revenue Service or other taxing jurisdictions may contest. We have in the past and may in the future take tax positions that the Internal Revenue Service (“IRS”) or other taxing jurisdictions may challenge. We are required to disclose to the IRS as part of our tax returns particular tax positions in which we have a reasonable basis for the position but not a "more likely than not" chance of prevailing. If the IRS successfully contests a tax position that we take, we may be required to pay additional taxes or fines which may not have been previously accrued that may adversely affect our results of operations and financial position.

Our inability to produce and disseminate relevant and/or reliable data and information pertaining to our business in an efficient, cost-effective, secure, and well-controlled fashion may have significant negative impacts on confidentiality requirements and obligations and trade secret or other proprietary needs and expectations and, therefore, our future operations, profitability, and competitive position. Management relies on information technology infrastructure and architecture, including hardware, network, software, people, and processes to provide useful and confidential information to conduct our business in the ordinary course, including correspondence and commercial data and information interchange with customers, suppliers, legal counsel, governmental agencies, and consultants, and to support assessments and conclusions about future plans and initiatives pertaining to market demands, operating performance, and competitive positioning. In addition, any material failure, interruption of service, compromised data security, or cybersecurity threat could adversely affect our relations with suppliers and customers, place us in violation of confidentiality and data protection laws, rules, and regulations, and result in negative impacts to our market share, operations, and profitability. Security breaches in our information technology could result in theft, destruction, loss, misappropriation, or release of confidential data, trade secret, or other proprietary or intellectual property that could adversely impact our future results.

The Company could potentially fail to successfully integrate new businesses or products into its current business. The Company routinely engages in the search for growth opportunities, including assessment of merger and acquisition prospects in new markets and/or products. Any merger or acquisition in which the Company becomes involved and ultimately concludes is subject to integration into the Company's businesses and culture. If such integration is unsuccessful to any material degree, such lack of success could result in unexpected claims or otherwise have a material adverse effect on our business, operations, or financial condition.

The use of social and other digital media (including websites, blogs and newsletters) to disseminate false, misleading and/or unreliable or inaccurate data and information about our Company could create unwarranted volatility in our stock price and losses to our stockholders and could adversely affect our reputation, products, business and operating results. The number of people relying on social and other digital media to receive news, data and information is increasing. Social and other digital media can be used by anyone to publish data and information without regard for factual accuracy. The use of social and other digital media to publish inaccurate, offensive and disparaging data and information coupled with the increasingly frequent use of strong language and hostile expression, may influence the public’s inability to distinguish between what is true and what is false and could obstruct an effective and timely response to correct inaccuracies or falsifications. Such use of social and other digital media could result in unexpected and unsubstantiated claims concerning the Company in general or our products, our leadership or our reputation among customers and the public at large, thereby making it more difficult for us to compete effectively, and potentially having a material adverse effect on our business, operations, or financial condition.

Our inability to sufficiently protect our intellectual property rights could adversely affect our business. Our patents, copyrights, trademarks, service marks, trade secrets, proprietary processes, and other intellectual property are important to our success. We rely on patent, copyright and trademark law, and trade secret protection, and confidentiality and/or license agreements with others to protect our intellectual property rights. Our trademarks, service marks, copyrights, patents, and trade secrets may be exposed

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to market confusion, commercial abuse, infringement, or misappropriation and possibly challenged, invalidated, circumvented, narrowed, or declared unenforceable by countries where our products and services are made available, but where the laws may not protect our intellectual property rights as fully as in the U.S. Such instances could negatively impact our competitive position and adversely affect our business. Additionally, we could be required to incur significant expenses to protect our intellectual property rights.

The price for our common stock is subject to volatility which may result in losses to our shareholders. During the two year period ended December 31, 2016, the closing sales price of our stock varied between a high of $36.80 per share and a low of $15.64 per share. Stock price volatility affects the price at which our common stock can be sold and could subject our stockholders to losses. The trading price of our common stock is likely to remain volatile and could fluctuate widely in response to, among other things, the risk factors described in this report and other factors including:

- actual or anticipated variations in quarterly and annual results or operations;
- changes in recommendations by securities analysts;
- changes in composition and perception of the investors who own our stock and other securities;
- changes in ratings from national rating agencies on publicly or privately owned debt securities;
- operating and stock price performance of other companies that investors deem comparable to us;
- news reports relating to trends, concerns and other issues in the industries in which we operate;
- actual or expected economic conditions that are perceived to affect our Company;
- perceptions in the marketplace regarding us and/or our competitors;
- fluctuations in prices of commodities that our customers produce and transport;
- significant acquisitions or business combinations, strategic partnerships, joint ventures, or capital commitments by or involving us or our competitors;
- changes in government regulations and interpretations of those regulations;
- shareholder activism; and
- dissemination of false or misleading statements through the use of social and other media to discredit our Company, disparage our products or to harm our reputation.

Additionally, in the past, following periods of volatility in the market price of a public company’s securities, securities class action litigation has often been initiated. Any such litigation could result in substantial costs and a diversion of management’s attention and resources. We cannot predict the outcome of any such litigation if it were initiated. The initiation of any such litigation or an unfavorable result could have a material adverse effect on our financial condition and results of operations. See Note 18 of the Consolidated Financial Statements for a description regarding certain shareholder class actions related to the Company's Highway Products litigation.

Additional Information. Our Internet website address is www.trin.net. Information on the website is available free of charge. We make available on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments thereto, as soon as reasonably practicable after such material is filed with, or furnished to, the SEC. The contents of our website are not intended to be incorporated by reference into this report or in any other report or document we file and any reference to our website is intended to be an inactive textual reference only.

Item 1B. Unresolved Staff Comments.

None.

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Item 2. Properties.

We principally operate in various locations throughout the U.S. and in Mexico and Canada. Our facilities are considered to be in good condition, well maintained, and adequate for our purposes.

	Approximate Square Feet		Approximate Square Feet Located In		
	Owned	Leased	US	Mexico	Canada
Rail Group	6,139,300	131,600	4,147,200	2,123,700	—
Construction Products Group	1,214,200	95,400	1,278,500	31,100	—
Inland Barge Group	853,800	81,000	934,800	—	—
Energy Equipment Group	2,221,200	542,900	1,828,300	865,400	70,400
Corporate Offices	231,200	10,400	221,400	20,200	—
	10,659,700	861,300	8,410,200	3,040,400	70,400

Our estimated weighted average production capacity utilization for the twelve month period ended December 31, 2016 is reflected by the following percentages:

	Production Capacity Utilized
Rail Group	75 %
Construction Products Group	75 %
Inland Barge Group	70 %
Energy Equipment Group	80 %

Item 3. Legal Proceedings.

See Note 18 of the Notes to Consolidated Financial Statements.

Item 4. Mine Safety Disclosures

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 to this Form 10-K.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is traded on the New York Stock Exchange under the ticker symbol “TRN”. The following table shows the closing price range of our common stock by quarter for the years ended December 31, 2016 and 2015.

	Prices	
Year Ended December 31, 2016	High	Low
Quarter ended March 31, 2016	$24.32	$15.64
Quarter ended June 30, 2016	19.93	16.73
Quarter ended September 30, 2016	25.05	18.71
Quarter ended December 31, 2016	29.24	21.01
Year Ended December 31, 2015	High	Low
Quarter ended March 31, 2015	$35.61	$24.77
Quarter ended June 30, 2015	36.80	26.43
Quarter ended September 30, 2015	29.79	22.67
Quarter ended December 31, 2015	27.86	22.37

Our transfer agent and registrar as of December 31, 2016 was American Stock Transfer & Trust Company.

Holders

At December 31, 2016, we had 1,921 record holders of common stock. The par value of the common stock is $0.01 per share.

Dividends

Trinity has paid 211 consecutive quarterly dividends. Quarterly dividends declared by Trinity for the years ended December 31, 2016 and 2015 are as follows:

	Year Ended December 31,	
	2016	2015
Quarter ended March 31,	$0.11	$0.10
Quarter ended June 30,	0.11	0.11
Quarter ended September 30,	0.11	0.11
Quarter ended December 31,	0.11	0.11
Total	$0.44	$0.43

Recent Sales of Unregistered Securities

None.

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Performance Graph

The following Performance Graph and related information shall not be deemed “soliciting material” or to be “filed” with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that the Company specifically incorporates it by reference into such filing.

The following graph compares the Company's cumulative total stockholder return (assuming reinvestment of dividends) during the five-year period ended December 31, 2016 with an overall stock market index (New York Stock Exchange Composite Index) and the Company's peer group index (Dow Jones US Commercial Vehicles & Trucks Index). The data in the graph assumes $100 was invested on December 31, 2011.

	2011	2012	2013	2014	2015	2016
Trinity Industries, Inc.	100	121	187	194	169	199
Dow Jones US Commercial Vehicles & Trucks Index	100	112	133	138	105	151
New York Stock Exchange Composite Index	100	116	147	157	151	169

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Issuer Purchases of Equity Securities N EED

This table provides information with respect to purchases by the Company of shares of its common stock during the quarter ended December 31, 2016:

Period	Number of Shares Purchased (1)	Average Price Paid per Share (1)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (2)
October 1, 2016 through October 31, 2016	1,020	$ 24.12	—	$215,375,299
November 1, 2016 through November 30, 2016	770	$ 26.14	—	$215,375,299
December 1, 2016 through December 31, 2016	202	$ 28.43	—	$215,375,299
Total	1,992	$ 25.34	—	$215,375,299

(1) These columns include the following transactions during the three months ended December 31, 2016: (i) the surrender to the Company of 1,327 shares of common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock issued to employees and (ii) the purchase of 665 shares of common stock by the Trustee for assets held in a non-qualified employee profit-sharing plan trust.

(2) In December 2015, the Company's Board of Directors renewed its $250 million share repurchase program effective January 1, 2016 through December 31, 2017. Under the program, no shares were repurchased during the three months ended December 31, 2016. The approximate dollar value of shares that were eligible to be repurchased under such share repurchase program is shown as of the end of such month or quarter.

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Item 6. Selected Financial Data.

The following financial information for the five years ended December 31, 2016 has been derived from our audited consolidated financial statements. This information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included elsewhere herein.

	Year Ended December 31,				
	2016	2015	2014	2013	2012
	(in millions, except percent and per share data)				
Statement of Operations Data:					
Revenues	$4,588.3	$6,392.7	$6,170.0	$4,365.3	$3,811.9
Operating profit	742.2	1,438.9	1,251.0	772.9	574.8
Income from continuing operations	364.7	826.0	709.3	386.1	251.9
Gain on sale of discontinued operations, net of provision for income taxes of $-, $-, $-, $5.4, and $-	—	—	—	7.1	—
Income (loss) from discontinued operations, net of provision (benefit) for income taxes of $-, $-, $-, $(0.8), and $1.1	—	—	—	(0.8)	1.8
Net income	$364.7	$826.0	$709.3	$392.4	$253.7
Net income attributable to Trinity Industries, Inc.	$343.6	$796.5	$678.2	$375.5	$255.2
Net income attributable to Trinity Industries, Inc. per common share:					
Basic:					
Continuing operations	$2.25	$5.14	$4.35	$2.34	$1.59
Discontinued operations	—	—	—	0.04	0.01
	$2.25	$5.14	$4.35	$2.38	$1.60
Diluted:					
Continuing operations	$2.25	$5.08	$4.19	$2.34	$1.58
Discontinued operations	—	—	—	0.04	0.01
	$2.25	$5.08	$4.19	$2.38	$1.59
Weighted average number of shares outstanding:					
Basic	148.4	150.2	151.0	152.8	154.7
Diluted	148.6	152.2	156.7	152.9	155.1
Dividends declared per common share	$0.440	$0.430	$0.375	$0.270	$0.210
Balance Sheet Data:					
Total assets	$9,125.3	$8,885.9	$8,695.3	$7,274.5	$6,630.2
Debt - recourse	$850.6	$836.7	$823.6	$416.5	$454.4
Debt - non-recourse	$2,206.0	$2,358.7	$2,690.9	$2,534.4	$2,561.3
Stockholders' equity	$4,311.1	$4,048.7	$3,397.4	$2,749.1	$2,137.6
Ratio of total debt to total capital	41.5 %	44.1 %	50.8 %	51.8 %	58.5 %
Book value per share	$28.34	$26.50	$21.83	$17.75	$13.52

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is intended to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity, and certain other factors that may affect our future results. Our MD&A is presented in the following sections:

- Company Overview
- Executive Summary
- Results of Operations
- Liquidity and Capital Resources
- Contractual Obligations and Commercial Commitments
- Critical Accounting Policies and Estimates
- Recent Accounting Pronouncements
- Forward-Looking Statements

Our MD&A should be read in conjunction with our Consolidated Financial Statements and related Notes in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

Company Overview

Trinity Industries, Inc., headquartered in Dallas, Texas, is a diversified industrial company that owns complementary market-leading businesses providing products and services to the energy, chemical, agriculture, transportation, and construction sectors, among others. We operate in five distinct business groups which we report on a segment basis: the Rail Group, Construction Products Group, Inland Barge Group, Energy Equipment Group, and Railcar Leasing and Management Services Group. We also report the All Other segment which includes the Company's captive insurance and transportation companies; legal, environmental, and maintenance costs associated with non-operating facilities; and other peripheral businesses.

Our Rail, Inland Barge, and Leasing Groups and our structural wind towers, utility structures, and storage and distribution containers businesses operate in cyclical industries. Additionally, results in our Construction Products Group are affected by seasonal fluctuations with the second and third quarters historically being the quarters with the highest revenues. Due to their transactional nature, railcar sales from the lease fleet are the primary driver of fluctuations in results in the Railcar Leasing and Management Services Group.

We continue to experience weak demand levels for many of the Company’s products and services. The ongoing level of uncertainty in the industrial economy has continued to impact our customers’ long-term capital planning processes. The oversupply of railcars and barges in the North American market has limited new order levels for these businesses. We continue to assess demand for our products and services and take steps to align our manufacturing capacity appropriately.

Executive Summary

The Company’s revenues for 2016 were $4.6 billion, representing a decrease of $1.8 billion or 28.2% over last year. Operating profit for 2016 totaled $0.7 billion compared to $1.4 billion last year. The decrease in both revenues and operating profit for 2016, when compared to the previous year, resulted primarily from lower volumes in our Rail and Inland Barge Groups as well as lower leased railcar sales in the Leasing Group. Revenues and operating profit generated by our Energy Equipment Group decreased as a result of lower delivery volumes in our utility structures business and other product lines partially offset by an increase in revenues from our structural wind towers business. In our Leasing Group, leasing and management revenues were substantially unchanged while revenues from railcar sales owned one year or less totaled $126.1 million for the year ended December 31, 2016 compared with $404.9 million for the year ended December 31, 2015. Revenues in our Construction Products Group declined by 1.8% as a result of lower volumes in the Group's other business lines including lost revenues resulting from the sale of our galvanizing business in June 2015 partially offset by higher volumes in our construction aggregates business. Operating profit in the Construction Products Group increased as a result of higher volumes in our construction aggregates business and reduced operating costs in 2016.

Selling, engineering, and administrative expenses decreased by 14.5% for the year ended December 31, 2016, when compared to the prior year primarily due to lower compensation expenses. At December 31, 2016, the Company's headcount, including both production and non-production personnel, had decreased approximately 20% since the end of 2015 primarily due to actions taken to realign our costs with current market conditions.

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As of December 31, 2016 and 2015 our backlog of firm orders was as follows:

	December 31, 2016	December 31, 2015
	(in millions)	
Rail Group		
External Customers	$2,156.6	$ 3,948.5
Leasing Group	850.9	1,452.7
	$3,007.5	$ 5,401.2
Inland Barge Group	$120.0	$ 416.0
Wind towers	$1,148.4	$ 371.3

For the twelve months ended December 31, 2016, our rail manufacturing businesses received orders for 7,825 railcars. The change in backlog as of December 31, 2016 compared with our backlog as of December 31, 2015 reflects the value of orders taken, net of cancellations during 2016 totaling 250 railcars, executory contract change orders and price modifications, and orders delivered during the year. The orders in our backlog from the Leasing Group are fully supported by lease commitments with external customers. The final amount dedicated to the Leasing Group may vary by the time of delivery as customers may alternatively choose to purchase railcars as external sales from the Rail Group. Approximately 41% of our railcar backlog is expected to be delivered during the twelve months ending December 31, 2017 with the remainder to be delivered from 2018 through 2021. Substantially all of our Inland Barge backlog is expected to be delivered during the twelve months ending December 31, 2017. Approximately 30% of our structural wind towers backlog is expected to be delivered during the twelve months ending December 31, 2017 with the remainder to be delivered during 2018 and 2019. The Company does not report backlog from its utility structures business because certain contracts contain partial order cancellation provisions.

Capital expenditures for 2016 were $933.4 million with $799.1 million utilized for net lease fleet additions, net of deferred profit of $178.2 million. Manufacturing and corporate capital expenditures for 2017 are projected to be between $100.0 million and $140.0 million. For 2017, we expect to invest between $140.0 million and $240.0 million in our wholly-owned lease fleet, after taking into account the proceeds from sales of leased railcars.

During the year ended December 31, 2016, 2015, and 2014 the Company received proceeds from the sale of leased railcars as follows:

	Year Ended December 31,		
	2016	2015	2014
	(in millions)		
Leasing Group:			
Railcars owned one year or less at the time of sale	$126.1	$404.9	$486.3
Railcars owned more than one year at the time of sale	37.7	514.6	265.8
Rail Group	8.1	260.5	243.2
	$171.9	$1,180.0	$995.3

In December 2015, the Company’s Board of Directors renewed its $250 million share repurchase program effective January 1, 2016 through December 31, 2017. The new program replaced the previous program which expired on December 31, 2015. Under the Company's share repurchase program, 2,070,600 shares were repurchased during the year ended December 31, 2016, at a cost of approximately $34.7 million.

A current summary of the Company's Highway Products litigation is provided in Note 18 of the Consolidated Financial Statements.

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Results of Operations
Years Ended December 31, 2016, 2015, and 2014
Overall Summary
Revenues

	Year Ended December 31, 2016 Revenues			Percent Change 2016 versus 2015
	External	Intersegment	Total	
	($ in millions)			
Rail Group	$2,006.9	$ 1,070.4	$3,077.3	(31.0)%
Construction Products Group	510.6	12.6	523.2	(1.8)
Inland Barge Group	403.0	0.1	403.1	(38.3)
Energy Equipment Group	834.7	178.0	1,012.7	(9.1)
Railcar Leasing and Management Services Group	824.9	2.1	827.0	(25.1)
All Other	8.2	84.0	92.2	(17.9)
Segment Totals before Eliminations	4,588.3	1,347.2	5,935.5	(25.6)
Eliminations – Lease subsidiary	—	(1,021.9)	(1,021.9)	
Eliminations – Other	—	(325.3)	(325.3)	
Consolidated Total	$4,588.3	$ —	$4,588.3	(28.2)

	Year Ended December 31, 2015 Revenues			Percent Change 2015 versus 2014
	External	Intersegment	Total	
	($ in millions)			
Rail Group	$3,236.2	$ 1,225.6	$4,461.8	16.9 %
Construction Products Group	520.6	12.0	532.6	(3.5)
Inland Barge Group	652.9	—	652.9	2.3
Energy Equipment Group	883.6	230.1	1,113.7	12.2
Railcar Leasing and Management Services Group	1,091.6	13.2	1,104.8	(1.2)
All Other	7.8	104.5	112.3	1.7
Segment Totals before Eliminations	6,392.7	1,585.4	7,978.1	10.4
Eliminations – Lease subsidiary	—	(1,164.4)	(1,164.4)	
Eliminations – Other	—	(421.0)	(421.0)	
Consolidated Total	$6,392.7	$ —	$6,392.7	3.6

	Year Ended December 31, 2014 Revenues		
	External	Intersegment	Total
	($ in millions)		
Rail Group	$3,077.6	$ 739.2	$3,816.8
Construction Products Group	546.1	5.6	551.7
Inland Barge Group	638.5	—	638.5
Energy Equipment Group	796.0	196.3	992.3
Railcar Leasing and Management Services Group	1,106.4	11.9	1,118.3

All Other	5.4	105.0	110.4
Segment Totals before Eliminations	6,170.0	1,058.0	7,228.0
Eliminations – Lease subsidiary	—	(710.1)	(710.1)
Eliminations – Other	—	(347.9)	(347.9)
Consolidated Total	$6,170.0	$ —	$6,170.0

Our revenues for the year ended December 31, 2016, decreased by 28.2% from the previous year primarily as a result of reduced volumes and product mix changes in our Rail Group. We also experienced lower barge shipments and product mix changes in our Inland Barge Group. Revenues from sales of leased railcars in our Leasing Group were lower in 2016 when compared to the prior year. In our Energy Equipment Group, lower volumes in our utility structures business and other product lines were partially offset by higher volumes in our structural wind towers business. Revenues from our Construction Products Group decreased primarily due to lower volumes in the Group's other businesses including lost revenues from the sale of the Group's galvanizing business in 2015.

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Our revenues for the year ended December 31, 2015, increased by 3.6% from the previous year primarily as a result of higher shipment volumes and pricing in our Rail Group partially offset by product mix changes. We also experienced higher volumes in our Inland Barge Group, and in our Energy Equipment Group, primarily as a result of an acquisition in 2014. Revenues from the Construction Products Group declined as a result of lower revenues from our highway products business partially offset by higher acquisition-related volumes in our construction aggregates business. Our Leasing Group experienced lower revenues from external sales of railcars owned one year or less, partially offset by higher leasing and management revenues due to increased rental rates and net lease fleet additions.

Operating Costs

Operating costs are comprised of cost of revenues; selling, engineering, and administrative costs; and gains or losses on property disposals.

	Year Ended December 31,		
	2016	2015	2014
	(in millions)		
Rail Group	$2,617.4	$3,530.2	$3,092.7
Construction Products Group	450.6	478.1	486.3
Inland Barge Group	357.8	535.9	524.1
Energy Equipment Group	879.6	962.8	884.2
Railcar Leasing and Management Services Group	466.9	498.6	602.0
All Other	111.1	120.5	136.0
Segment Totals before Eliminations and Corporate Expenses	4,883.4	6,126.1	5,725.3
Corporate	131.0	152.6	119.0
Eliminations – Lease subsidiary	(843.7)	(904.8)	(577.0)
Eliminations – Other	(324.6)	(420.1)	(348.3)
Consolidated Total	$3,846.1	$4,953.8	$4,919.0

Operating costs for the year ended December 31, 2016 decreased by 22.4% over the previous year primarily due to lower shipment levels in our Rail and Inland Barge Groups. Operating costs in our Energy Equipment Group decreased over the prior year primarily due to lower volumes in our utility structures and other businesses. Our Construction Products Group experienced lower operating costs over the prior year primarily as a result of improved manufacturing efficiencies in our highway products business and lower volumes in the Group's other businesses including the effects of the 2015 sale of assets of the galvanizing business. Operating costs in our Leasing Group decreased primarily as a result of lower profit from railcar sales partially offset by higher maintenance and compliance costs. Selling, engineering, and administrative expenses decreased for the year ended December 31, 2016, by 14.5% primarily due to lower compensation expenses. As a percentage of revenue, selling, engineering, and administrative expenses were 8.9% for 2016 as compared to 7.5% for 2015 and 6.5% for 2014.

Operating costs for the year ended December 31, 2015 increased by 1.0% over the previous year primarily due to higher shipment levels in our Rail Group as well as acquisition-related increases in our Energy Equipment Group. Operating costs in our Leasing Group declined as a result of lower sales of railcars owned one year or less during the year ended December 31, 2015 over the prior year in addition to higher gains from railcar sales owned more than one year in 2015 over the prior year. Selling, engineering, and administrative expenses increased in 2015 primarily due to higher legal and litigation-related expenses as well as increased compensation costs resulting from acquisitions and higher average headcount during the year.

Operating Profit (Loss)

	Year Ended December 31,		
	2016	2015	2014
	(in millions)		
Rail Group	$459.9	$931.6	$724.1
Construction Products Group	72.6	54.5	65.4
Inland Barge Group	45.3	117.0	114.4
Energy Equipment Group	133.1	150.9	108.1

Railcar Leasing and Management Services Group	360.1	606.2	516.3
All Other	(18.9)	(8.2)	(25.6)
Segment Totals before Eliminations and Corporate Expenses	1,052.1	1,852.0	1,502.7
Corporate	(131.0)	(152.6)	(119.0)
Eliminations – Lease subsidiary	(178.2)	(259.6)	(133.1)
Eliminations – Other	(0.7)	(0.9)	0.4
Consolidated Total	$742.2	$1,438.9	$1,251.0

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Our operating profit for the year ended December 31, 2016 decreased by 48.4% primarily as a result of lower shipment volumes in our Rail and Inland Barge Groups. Operating profit was affected by additional costs associated with aligning our production footprint with demand in several of our business groups. Operating profit in the Construction Products Group increased when compared to the prior year primarily due to lower selling, engineering and administrative costs, higher volumes in our construction aggregates business and improved manufacturing efficiencies in our highway products business. These factors were partially offset by lower volumes in the Group's other businesses and property disposition gains in 2015 related to the sale of assets of our galvanizing business in 2015. Operating profit in our Energy Equipment Group decreased when compared to the prior year as lower volumes from our utility structures and other businesses were partially offset by higher volumes in our structural wind towers business. Operating profit in our Leasing Group decreased for the year ended December 31, 2016 over the prior year primarily as a result of lower railcar sales and higher maintenance and compliance costs. Operating profit from railcar sales in our Leasing Group totaled $47.6 million and $275.1 million for the years ended December 31, 2016 and 2015, respectively.

Our operating profit for the year ended December 31, 2015 increased by 15.0% primarily as a result of higher shipment volumes in our Rail Group and acquisition-related improvements in our Energy Equipment Group. Rail Group operating profit also increased as a result of improved pricing and higher operating efficiencies partially offset by product mix changes. Operating profit in our Leasing Group increased for the year ended December 31, 2015 over the prior year period from higher leasing and management revenues as well as higher operating profit from railcar sales. Operating profit in our Inland Barge Group was substantially unchanged while operating profit in the Construction Products Group decreased for the year ended December 31, 2015 when compared to the prior year, as higher volumes in our construction aggregates business related to an acquisition in 2015 were more than offset by lower volumes in our highway products business.

For a further discussion of revenues, costs, and the operating results of individual segments, see Segment Discussion below.

Other Income and Expense. Other income and expense is summarized in the following table:

	Year Ended December 31,		
	2016	2015	2014
	(in millions)		
Interest income	$(5.4)	$(2.2)	$(1.9)
Interest expense	181.9	194.7	193.4
Other, net	(1.1)	(5.6)	(4.6)
Consolidated Total	$175.4	$186.9	$186.9

Interest expense in 2016 decreased $12.8 million over the prior year primarily due to the repayment of certain Leasing Group debt in 2015. Interest expense in 2015 increased $1.3 million over the prior year primarily due to the issuance of the Company's Senior Notes in 2014, partially offset by the repayment of certain Leasing Group debt in 2015.

Income Taxes. The provision for income taxes results in effective tax rates that differ from the statutory rates. The following is a reconciliation between the statutory U.S. federal income tax rate and the Company’s effective income tax rate on income before income taxes:

	Year Ended December 31,		
	2016	2015	2014
Statutory rate	35.0 %	35.0 %	35.0 %
State taxes	1.4	1.2	1.4
Domestic production activities deduction	—	(1.4)	(2.0)
Noncontrolling interest in partially-owned subsidiaries	(1.3)	(0.8)	(1.1)
Changes in valuation allowances and reserves	0.3	—	0.1
Other, net	0.3	—	(0.1)
Effective rate	35.7 %	34.0 %	33.3 %

Our effective tax rate reflects the Company's estimate for 2016 of its state income tax expense and the effect of not providing income attributable to the noncontrolling interests in partially-owned leasing subsidiaries for the income tax expense. See Note 5 of the Consolidated Financial Statements for a further explanation of activities with respect to our partially-owned leasing subsidiaries. See Note 13 of the Consolidated Financial Statements for a further discussion of income taxes.

Income (loss) before income taxes for the years ended December 31, 2016, 2015, and 2014 was $573.1 million, $1,241.1 million, and $1,051.4 million, respectively, for U.S. operations, and $(6.3) million, $10.9 million, and $12.6 million, respectively, for foreign operations, principally Mexico. The Company provides deferred income taxes on the unrepatriated earnings of its foreign operations where it results in a deferred tax liability.

At December 31, 2016, the Company had $21.0 million of federal consolidated net operating loss carryforwards and $6.5 million of tax-effected state loss carryforwards remaining. The federal net operating loss carryforwards were acquired as part of an

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acquisition of a company in 2010 and are subject to limitations on the amount that can be utilized in any one tax year. The federal net operating loss carryforwards are due to expire in 2028 and 2029. We have established a valuation allowance for federal, state, and foreign tax operating losses and credits that we have estimated may not be realizable. During the fourth quarter of 2016, the Internal Revenue Service ("IRS") formally closed its audit of the 2010-2011 tax years and sent the results of its 2006-2009 tax year examinations to the Joint Committee on Taxation ("JCT") for review as required. We now consider the 2010-2011 tax years effectively settled and, as of December 31, 2016, have adjusted the related reserves and deferred tax assets affected by the settlement with no significant effect on the Company’s consolidated financial statements. We expect the 2006-2009 tax year examinations to be effectively settled in 2017. The 2013-2015 tax years are currently under IRS audit examination. The statute of limitations expired on the 2012 tax year for the federal tax return.

Income tax payments, net of refunds, differ from the current provision primarily based on when estimated tax payments were due as compared to when the related income was earned and taxable. The Company's consolidated income tax position was a net receivable of $101.1 million and $85.0 million from federal, state, and foreign jurisdictions at December 31, 2016 and 2015, respectively. Income tax payments (refunds) during the years ended December 31, 2016, 2015, and 2014 totaled $(57.9) million, $326.8 million, and $399.0 million, respectively.

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Segment Discussion

Rail Group

	Year Ended December 31,			Percent Change	
	2016	2015	2014	2016 versus 2015	2015 versus 2014
	($ in millions)				
Revenues:					
Railcars	$2,894.3	$4,301.7	$3,674.8	(32.7)%	17.1 %
Components and maintenance services	183.0	160.1	142.0	14.3	12.7
Total revenues	3,077.3	4,461.8	3,816.8	(31.0)	16.9
Operating costs:					
Cost of revenues	2,555.0	3,449.4	3,027.2	(25.9)	13.9
Selling, engineering, and administrative costs	63.6	80.8	65.5	(21.3)	23.4
Property disposition gains	(1.2)	—	—		
Operating profit	$459.9	$931.6	$724.1	(50.6)	28.7
Operating profit margin	14.9 %	20.9 %	19.0 %		

As of December 31, 2016, 2015, and 2014 our Rail Group backlog of railcars was as follows:

	Year Ended December 31,		
	2016	2015	2014
	(in millions)		
External Customers	$2,156.6	$3,948.5	$5,204.3
Leasing Group	850.9	1,452.7	2,010.5
Total	$3,007.5	$5,401.2	$7,214.8

The changes in the number of railcars in the Rail Group backlog are as follows:

	Year Ended December 31,		
	2016	2015	2014
Beginning balance	48,885	61,035	39,895
Orders received	7,825	22,145	51,395
Shipments	(27,240)	(34,295)	(30,255)
Ending balance[1]	29,220	48,885	61,035

[1] The ending backlog figures for the year ended December 31, 2016 reflect the removal of 250 railcars that have not been netted against orders.

Revenues decreased for the year ended December 31, 2016 by 31.0% when compared to the prior year with approximately 63% of the decrease in Rail Group revenue resulting from a decrease in unit deliveries with the remainder primarily due to product mix changes. Cost of revenues decreased for the year ended December 31, 2016 by 25.9% when compared with the prior year primarily due to a decrease in unit deliveries.

Revenues increased for the year ended December 31, 2015 by 16.9% when compared to 2014. Approximately 75% of the increase in Rail Group revenue results from an increase in unit deliveries with the remainder due to improved pricing partially offset by product mix changes. Cost of revenues increased for the year ended December 31, 2015 by 13.9% when compared with the prior year primarily due to an increase in unit deliveries partially offset by greater operating efficiencies.

Unit decreases and lower prices decreased total backlog dollars by 44.3% when comparing December 31, 2016 to the prior year. The average selling price in the backlog at December 31, 2016 was 6.8% lower as compared to the previous year primarily due to product mix changes. Backlog decreased when comparing 2015 versus 2014 due to unit decreases and lower prices. The average selling price in the backlog at December 31, 2015 was 6.5% lower as compared to the previous year primarily due to product mix changes. Approximately 41% of our railcar backlog is expected to be delivered during the twelve months ending December 31, 2017 with the remainder to be delivered from

2018 through 2021. The backlog dedicated to the Leasing Group is supported by lease commitments with external customers. The final amount dedicated to the Leasing Group may vary by the time of delivery as customers may alternatively choose to purchase railcars as external sales from the Rail Group.

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For the year ended December 31, 2016, Rail Group revenues included sales to the Leasing Group of $1,021.9 million with a deferred profit of $178.2 million, representing 9,385 railcars, compared to $1,164.4 million with a deferred profit of $259.6 million, representing 8,760 railcars, in the comparable period in 2015. Results for the year ended December 31, 2014, included sales to the Leasing Group of $710.1 million with a deferred profit of $133.1 million, representing 6,810 railcars. Sales to the Leasing Group and related profits are included in the operating results of the Rail Group but are eliminated in consolidation. For the years ended December 31, 2016, 2015, and 2014, Rail Group revenues included sales of leased railcars to third parties of $8.1 million, $260.5 million, and $243.2 million, respectively.

The Leasing Group purchases a portion of our railcar production utilizing the Company's cash or alternatively, financing a portion of the purchase price through a non-recourse warehouse loan facility. Periodically, the Leasing Group refinances those borrowings through equipment financing transactions. In 2016, the Leasing Group purchased 34.5% of our railcar production compared to 25.5% in 2015 and 22.5% in 2014.

Construction Products Group

	Year Ended December 31,			Percent Change	
	2016	2015	2014	2016 versus 2015	2015 versus 2014
	($ in millions)				
Revenues:					
Highway products	$271.3	$277.9	$317.6	(2.4)%	(12.5)%
Construction aggregates	213.4	192.0	152.1	11.1	26.2
Other	38.5	62.7	82.0	(38.6)	(23.5)
Total revenues	523.2	532.6	551.7	(1.8)	(3.5)
Operating costs:					
Cost of revenues	378.6	407.4	430.9	(7.1)	(5.5)
Selling, engineering, and administrative costs	73.7	81.0	67.8	(9.0)	19.5
Property disposition gains	(1.7)	(10.3)	(12.4)		
Operating profit	$72.6	$54.5	$65.4	33.2	(16.7)
Operating profit margin	13.9 %	10.2 %	11.9 %		

Revenues and cost of revenues decreased by 1.8% and 7.1%, respectively, for the year ended December 31, 2016, when compared to the same period in 2015. The decrease in revenues resulted primarily from lower volumes in our other businesses including lost revenues from the sale of our galvanizing business in June 2015, partially offset by higher volumes in our construction aggregates business. The decrease in cost of revenues of 7.1% resulted from lower volumes in our other businesses including lower volumes from the sale of the galvanizing business and lower costs in our highway products business from improved manufacturing efficiencies partially offset by higher volumes in our construction aggregates business. Selling, engineering, and administrative costs decreased by 9.0%, for the year ended December 31, 2016 compared to the same period in 2015. The decrease for the year ended December 31, 2016 was primarily due to lower compensation costs, partially offset by higher legal expenses. The property disposition gains for the year ended December 31, 2015 primarily related to the sale of assets of our galvanizing business which included six facilities in Texas, Mississippi, and Louisiana.

Revenues decreased for the year ended December 31, 2015 by 3.5% compared to the same period in 2014. Higher revenues in our construction aggregates business primarily related to an acquisition were more than offset by lower volumes in our highway products and other businesses including lost revenues from the sale of our galvanizing business in June 2015. Similarly, cost of revenues decreased by 5.5% for the year ended December 31, 2015, compared to the same period in 2014 as the effects of our construction aggregates acquisition were more than offset by lower volumes in our highway products and other businesses. Additionally, cost of revenues for the year ended December 31, 2014, included a $2.6 million gain from the settlement of certain liabilities related to construction aggregates acquisitions in 2013. Selling, engineering, and administrative costs increased by 19.5% for the year ended December 31, 2015, compared to the same period in 2014 primarily due to higher legal expenses and compensation costs. The property disposition gains for the year ended December 31, 2014 primarily related to the sale of certain land held by our construction aggregates business.

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Inland Barge Group

	Year Ended December 31,			Percent Change	
	2016	2015	2014	2016 versus 2015	2015 versus 2014
	($ in millions)				
Revenues	$403.1	$652.9	$638.5	(38.3)%	2.3 %
Operating costs:					
Cost of revenues	344.3	518.3	506.6	(33.6)	2.3
Selling, engineering, and administrative costs	13.5	18.0	17.5	(25.0)	2.9
Property disposition gains	—	(0.4)	—		
Operating profit	$45.3	$117.0	$114.4	(61.3)	2.3
Operating profit margin	11.2 %	17.9 %	17.9 %		

Revenues decreased for the year ended December 31, 2016 by 38.3% compared to the same period in 2015 primarily due to lower barge deliveries and product mix changes. Cost of revenues decreased by 33.6% for the year ended December 31, 2016, when compared to the same period in 2015 due to lower volumes and product mix changes. Selling, engineering, and administrative costs decreased for the year ended December 31, 2016 compared to the same period in 2015 due to lower compensation costs.

Revenues and cost of revenues increased for the year ended December 31, 2015 by 2.3% compared to the same period in 2014 primarily from higher delivery volumes of hopper barges, partially offset by lower delivery volumes of tank barges. Selling, engineering, and administrative costs increased for the year ended December 31, 2015 compared to the same period in 2014 due to higher compensation and consulting costs.

As of December 31, 2016, the backlog for the Inland Barge Group was $120.0 million compared to $416.0 million as of December 31, 2015. Substantially all our Inland Barge backlog is expected to be delivered during the twelve months ending December 31, 2017. Deliveries for multi-year barge agreements are included in the backlog when specific production quantities for future years have been determined.

Energy Equipment Group

	Year Ended December 31,			Percent Change	
	2016	2015	2014	2016 versus 2015	2015 versus 2014
	($ in millions)				
Revenues:					
Wind towers and utility structures	$641.1	$611.8	$454.6	4.8 %	34.6 %
Other	371.6	501.9	537.7	(26.0)	(6.7)
Total revenues	1,012.7	1,113.7	992.3	(9.1)	12.2
Operating costs:					
Cost of revenues	806.9	879.8	810.5	(8.3)	8.6
Selling, engineering, and administrative costs	72.7	83.0	74.8	(12.4)	11.0
Property disposition gains	—	—	(1.1)		
Operating profit	$133.1	$150.9	$108.1	(11.8)	39.6
Operating profit margin	13.1 %	13.5 %	10.9 %		

Revenues for the year ended December 31, 2016 decreased by 9.1% compared to the same period in 2015. Revenues from our wind towers and utility structures product lines increased by 4.8% for the year ended December 31, 2016 primarily due to an increase in structural wind tower volumes. Revenues from other product lines for the year ended December 31, 2016 decreased by 26.0% when compared to 2015 primarily as a result of decreases in shipment volumes. Other revenues include results primarily from our storage and distribution containers and tank heads product lines. Similarly, cost of revenues decreased by 8.3% for the year ended December 31, 2016 compared to 2015 due to lower volumes in our utility structures and other product lines, partially offset by increased volumes in our structural wind towers business. Selling, engineering, and administrative costs decreased by 12.4% for the year ended December 31, 2016, resulting primarily from lower professional service expenses and decreased compensation expenses.

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Revenues for the year ended December 31, 2015 increased by 12.2% compared to the same period in 2014. Revenues from our wind towers and utility structures product lines increased by 34.6% primarily due to an acquisition in 2014. Revenues from other product lines for the year ended December 31, 2015 decreased by 6.7% when compared to 2014 primarily as a result of changes in shipment volumes. Cost of revenues increased by 8.6% for the year ended December 31, 2015 compared to 2014 while selling, engineering, and administrative costs increased by 11.0%. Substantially all of the increase in operating costs for the year ended December 31, 2015 was due to an acquisition.
As of December 31, 2016, the backlog for structural wind towers was $1,148.4 million compared to $371.3 million as of December 31, 2015. Approximately 30% of our structural wind towers backlog is expected to be delivered during the twelve months ending December 31, 2017 with the remainder to be delivered during 2018 and 2019. The Company does not report backlog from its utility structures business because certain contracts contain partial order cancellation provisions.

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Railcar Leasing and Management Services Group

	Year Ended December 31,			Percent Change	
	2016	2015	2014	2016 versus 2015	2015 versus 2014
	($ in millions)				
Revenues:					
Leasing and management	$700.9	$699.9	$632.0	0.1 %	10.7 %
Sale of railcars owned one year or less at the time of sale	126.1	404.9	486.3		
Total revenues	$827.0	$1,104.8	$1,118.3	(25.1)	(1.2)
Operating profit:					
Leasing and management	$312.5	$331.1	$287.9	(5.6)	15.0
Railcar sales:					
Railcars owned one year or less at the time of sale	34.1	109.0	136.1		
Railcars owned more than one year at the time of sale	13.5	166.1	92.3		
Total operating profit	$360.1	$606.2	$516.3	(40.6)	17.4
Operating profit margin:					
Leasing and management	44.6 %	47.3 %	45.6 %		
Railcar sales	*	*	*		
Total operating profit margin	43.5 %	54.9 %	46.2 %		
Selected expense information[(1)]:					
Depreciation	$156.2	$142.3	$130.0	9.8	9.5
Maintenance and compliance	$104.3	$97.3	$78.9	7.2	23.3
Rent	$39.3	$41.6	$52.9	(5.5)	(21.4)
Interest	$125.2	$138.8	$153.3	(9.8)	(9.5)

* Not meaningful

(1) Depreciation, maintenance and compliance, and rent expense are components of operating profit. Amortization of deferred profit on railcars sold from the Rail Group to the Leasing Group is included in the operating profits of the Leasing Group resulting in the recognition of depreciation expense based on the Company's original manufacturing cost of the railcars. Interest expense is not a component of operating profit and includes the effect of hedges.

Total revenues decreased by 25.1% for the year ended December 31, 2016 compared to 2015 primarily due to a lower volume of railcar sales owned one year or less. Leasing and management revenues were substantially unchanged with revenues associated with net fleet additions offset by the effect of lower average rental rates.

Total revenues decreased by 1.2% for the year ended December 31, 2015 compared to 2014 due to a lower volume of railcar sales owned one year or less, partially offset by growth in leasing and management revenues. Approximately half of the increase in leasing and management revenues was due to higher average rental rates with the remainder primarily due to net fleet additions.

During the year ended December 31, 2016, 2015, and 2014 the Leasing Group received proceeds from the sale of leased railcars as follows:

	Year Ended December 31,		
	2016	2015	2014
	(in millions)		
Leasing Group:			
Railcars owned one year or less at the time of sale	$126.1	$404.9	$486.3

Railcars owned more than one year at the time of sale	37.7	514.6	265.8
Rail Group	8.1	260.5	243.2
	$171.9	$1,180.0	$995.3

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Operating profit decreased by 40.6% for the year ended December 31, 2016 compared to 2015 primarily due to a lower volume of railcar sales. Leasing and management operating profit for the year ended December 31, 2016 decreased by 5.6% due to lower average rental rates and higher maintenance and compliance expense associated with routine regulatory testing partially offset by operating profit associated with net fleet additions. In February 2015, the Leasing Group purchased all of the railcars which previously had been leased to the Company from one of the independent owner trusts resulting in lower rent expense for the year ended December 31, 2016 when compared to 2015. Interest expense decreased primarily due to the repayment in full of certain Leasing Group debt in May 2015. See Note 6 to the Consolidated Financial Statements for a description of lease arrangements with the independent owner trusts.

Operating profit increased by 17.4% for the year ended December 31, 2015 compared to 2014 due to higher profit from railcar sales and higher leasing and management operating profit. Leasing and management profit for the year ended December 31, 2015 increased due to higher average rental rates, net fleet additions, and decreased rent expense partially offset by higher depreciation and maintenance expense.

The Leasing Group generally uses its non-recourse warehouse loan facility or cash to provide initial funding for a portion of the purchase price of the railcars. After initial funding, the Leasing Group may obtain long-term financing for the railcars in the lease fleet through non-recourse asset-backed securities; long-term non-recourse operating leases pursuant to sales/leaseback transactions; long-term recourse debt such as equipment trust certificates; or third-party equity. See Other Investing and Financing Activities.

Information regarding the Leasing Group's lease fleet, owned through its wholly-owned and partially-owned subsidiaries, follows:

	December 31, 2016	December 31, 2015	December 31, 2014
Number of railcars:			
Wholly-owned	60,440	52,030	51,115
Partially-owned	24,670	24,735	24,815
	85,110	76,765	75,930
Average age in years	8.2	8.1	7.8
Average remaining lease term in years	3.5	3.2	3.4
Fleet utilization	97.6 %	97.7 %	99.5 %

All Other

	Year Ended December 31,			Percent Change	
	2016	2015	2014	2016 versus 2015	2015 versus 2014
	($ in millions)				
Revenues	$92.2	$112.3	$110.4	(17.9)%	1.7 %
Operating costs:					
Cost of revenues	103.1	114.0	125.2	(9.6)	(8.9)
Selling, engineering, and administrative costs	7.5	8.5	9.4	(11.8)	(9.6)
Property disposition (gains)/losses	0.5	(2.0)	1.4		
Operating loss	$(18.9)	$(8.2)	$(25.6)		

Revenues decreased for the year ended December 31, 2016 compared to 2015 primarily due to a decrease in internal shipments from our transportation company. Cost of revenues decreased for the year ended December 31, 2016 compared to 2015 primarily as a result of lower costs from our transportation company partially offset by higher costs related to non-operating facilities.

Revenues were substantially unchanged for the year ended December 31, 2015 compared to 2014. The decrease in operating loss for the year ended December 31, 2015 was due to improved efficiency from internal logistics operations, certain reserves recorded in 2014, and gains from certain property dispositions.

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Corporate

	Year Ended December 31,			Percent Change	
	2016	2015	2014	2016 versus 2015	2015 versus 2014
	($ in millions)				
Operating costs	$131.0	$152.6	$119.0	(14.2)%	28.2 %

The decrease in operating costs for the year ended December 31, 2016 compared to 2015 is primarily due to lower compensation and legal and litigation-related expenses.

The increase in operating costs for the year ended December 31, 2015 compared to 2014 is primarily due to higher legal and litigation-related expenses as well as performance-related compensation costs and increased staffing compared to 2014.

Liquidity and Capital Resources

Cash Flows

The following table summarizes our cash flows from operating, investing, and financing activities for each of the last three years:

	Year Ended December 31,		
	2016	2015	2014
	(in millions)		
Total cash provided by (required by):			
Operating activities	$1,090.2	$939.7	$819.2
Investing activities	(1,022.7)	(511.3)	(814.7)
Financing activities	(290.1)	(530.3)	454.9
Net increase (decrease) in cash and cash equivalents	$(222.6)	$(101.9)	$459.4

2016 compared with 2015

Operating Activities. Net cash provided by operating activities for the year ended December 31, 2016 was $1,090.2 million compared to net cash provided by operating activities of $939.7 million for the year ended December 31, 2015. Cash flow provided by operating activities increased primarily due to a higher decrease in inventories and a lower decrease in accrued liabilities for the year ended December 31, 2016 when compared to the prior year as well as a higher provision for deferred taxes and lower net gains on railcar lease fleet sales, partially offset by lower net income for the year ended December 31, 2016.

Receivables at December 31, 2016 increased by $16.0 million or 3.4% from December 31, 2015 primarily due to a higher income tax receivable. Raw materials inventory at December 31, 2016 decreased by $176.1 million or 36.8% since December 31, 2015 primarily attributable to lower levels in our Rail Group from lower production volumes and improved inventory management. At December 31, 2016, work in process inventory decreased by $33.3 million or 14.9% primarily in our Rail Group while finished goods inventory decreased by $67.9 million or 28.1% since December 31, 2015 due to higher inventory balances carried at the previous year end for scheduled shipments in early 2016 in our Rail and Energy Equipment Groups. Accounts payable decreased by $60.7 million as a result of lower inventory levels, while accrued liabilities decreased by $104.9 million from December 31, 2015 primarily due to lower compensation accruals. We continually review reserves related to bad debt as well as the adequacy of lower of cost or market valuations related to accounts receivable and inventory.

Investing Activities. Net cash required by investing activities for the year ended December 31, 2016 was $1,022.7 million compared to $511.3 million for the year ended December 31, 2015. Capital expenditures for the year ended December 31, 2016 were $933.4 million, which included $891.1 million for investment in the lease fleet less $92.0 million for the cost of sold lease fleet railcars owned one year or less. This compares to $1,029.8 million of capital expenditures for the same period last year, which included $1,129.7 million for additions to the lease fleet less $295.9 million for the cost of sold lease fleet railcars owned one year or less. Proceeds from the sale of property, plant, and equipment and other assets totaled $53.7 million for the year ended December 31, 2016, including railcar sales from the lease fleet owned more than one year at the time of sale totaling $37.7 million. This compares to $522.8 million for the same period in 2015, including railcar sales from the lease fleet owned more than one year at the time of sale totaling $514.6 million. Full-year manufacturing/corporate capital expenditures for 2017 are projected to range between $100.0 million and $140.0 million. For 2017, we expect to invest between $140.0 million and $240.0 million in our wholly-owned lease fleet, after taking into account the proceeds from sales of leased railcars. Short-term marketable securities increased by $149.8 million for the year ended December 31, 2016. There was no acquisition or divestiture activity for the year ended December 31, 2016. Net cash required related to acquisitions amounted to $46.2 million for the year ended December 31, 2015 while proceeds from business divestitures totaled $51.3 million.

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Financing Activities. Net cash required by financing activities during the year ended December 31, 2016 was $290.1 million compared to $530.3 million of net cash required by financing activities for the same period in 2015. During the year ended December 31, 2016, we retired $162.5 million in debt as scheduled. During the year ended December 31, 2015, we retired $587.2 million in debt including $340.0 million for the full repayment of promissory notes related to one of our wholly-owned leasing subsidiaries. We borrowed $242.4 million, net of debt issuance costs, during the year ended December 31, 2015, from our TILC warehouse loan facility. Additionally, we repurchased shares of the Company’s stock under a share repurchase program as described further below. We intend to use our cash and committed credit facilities to fund the operations, expansions, and growth initiatives of the Company. Additionally, we may use our cash and committed credit facilities to retire or repurchase the Company's outstanding debt prior to its stated maturity or repurchase shares of its common stock.

2015 compared with 2014

Operating Activities. Net cash provided by operating activities for the year ended December 31, 2015 was $939.7 million compared to net cash provided by operating activities of $819.2 million for the same period in 2014. Cash flow provided by operating activities increased primarily due to higher operating profits in 2015.

Receivables at December 31, 2015 were substantially unchanged from December 31, 2014, as a higher income tax receivable was offset by lower trade receivables in our Rail, Energy Equipment, and Construction Products Groups. Raw materials inventory at December 31, 2015 decreased by $106.8 million or 18.2% since December 31, 2014 primarily attributable to lower levels in our Rail Group from improved inventory management. Finished goods inventory at December 31, 2015 increased by $56.9 million or 30.8% since December 31, 2014 primarily due to higher inventory related to scheduled shipments in early 2016 in our Rail and Energy Equipment Groups. Accounts payable decreased by $78.6 million as a result of lower inventory levels, while accrued liabilities decreased by $169.6 million from December 31, 2014 due to lower customer advances outstanding.

Investing Activities. Net cash required by investing activities for the year ended December 31, 2015 was $511.3 million compared to $814.7 million for the year ended December 31, 2014. Capital expenditures for the year ended December 31, 2015 were $1,029.8 million, which included $1,129.7 million for investment in the lease fleet less $295.9 million for the cost of sold lease fleet railcars owned one year or less. This compares to $464.6 million of capital expenditures for the same period in 2014, of which $245.3 million were for additions to the lease fleet. Proceeds from the sale of property, plant, and equipment and other assets totaled $522.8 million for the year ended December 31, 2015, including railcar sales from the lease fleet owned more than one year at the time of sale totaling $514.6 million. This compares to $288.8 million for the year ended December 31, 2014, including railcar sales from the lease fleet owned more than one year at the time of sale totaling $265.8 million. Net cash required related to acquisitions amounted to $46.2 million and $714.4 million for the years ended December 31, 2015 and 2014, respectively. Proceeds from business divestitures totaled $51.3 million for the year ended December 31, 2015. Short-term marketable securities for the year ended December 31, 2015 decreased $9.9 million.

Financing Activities. Net cash required by financing activities during the year ended December 31, 2015 was $530.3 million compared to $454.9 million of net cash provided by financing activities for the same period in 2014. During the year ended December 31, 2015, we retired $587.2 million in debt including $340.0 million for the full repayment of promissory notes related to one of our wholly-owned leasing subsidiaries. We borrowed $242.4 million, net of debt issuance costs, during the year ended December 31, 2015, from our TILC warehouse loan facility. During the year ended December 31, 2014, we retired $186.6 million in debt as scheduled. We borrowed $727.3 million, net of debt issuance costs, during the year ended December 31, 2014, from the issuance of $400.0 million in senior notes and, the issuance by a wholly-owned subsidiary of TRIP Holdings of $335.7 million in secured equipment notes. Also, during the year ended December 31, 2014, we received $49.6 million in equity contributions from noncontrolling interests in one of the Company's partially-owned leasing subsidiaries. Additionally, we repurchased shares of the Company’s stock under a share repurchase program as described further below.

Other Investing and Financing Activities

During the year ended December 31, 2016, 2015, and 2014 the Company received proceeds from the sale of leased railcars as follows:

	Year Ended December 31,		
	2016	2015	2014
	(in millions)		
Leasing Group:			
Railcars owned one year or less at the time of sale	$126.1	$404.9	$486.3
Railcars owned more than one year at the time of sale	37.7	514.6	265.8
Rail Group	8.1	260.5	243.2
	$171.9	$1,180.0	$995.3

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The $1.0 billion TILC warehouse loan facility, established to finance railcars owned by TILC, had $204.1 million in outstanding borrowings as of December 31, 2016. Under the facility, $795.9 million was unused and available as of December 31, 2016 based on the amount of warehouse-eligible, unpledged equipment. The warehouse loan facility is a non-recourse obligation secured by a portfolio of railcars and operating leases, certain cash reserves, and other assets acquired and owned by the warehouse loan facility trust. The principal and interest of this indebtedness are paid from the cash flows of the underlying leases. Advances under the facility bear interest at a defined index rate plus a margin, for an all-in interest rate of 2.64% at December 31, 2016. Amounts outstanding at maturity, absent renewal, are payable under the renewed facility in April 2019.

As of December 31, 2016, we had letters of credit issued under our $600 million revolving credit facility in an aggregate principal amount of $92.3 million, leaving $507.7 million available for borrowing. Other than these letters of credit, there were no borrowings under our revolving credit facility as of December 31, 2016, or for the two year period then ended. Borrowings under the credit facility bear interest at a defined index rate plus a margin and are guaranteed by certain 100%-owned subsidiaries of the Company.

In December 2015, the Company's Board of Directors renewed its $250 million share repurchase program effective January 1, 2016 through December 31, 2017. The new program replaced the previous program which expired on December 31, 2015. Under the Company's share repurchase program, 2,070,600 shares were repurchased during the year ended December 31, 2016, at a cost of approximately $34.7 million.

We continue to experience weak demand levels for many of the Company's products and services. The ongoing level of uncertainty in the industrial economy has continued to impact our customers' long-term capital planning processes. The oversupply of railcars and barges in the North American market has limited new order levels for these businesses. We continue to assess demand for our products and services and take steps to align our manufacturing capacity appropriately.

Equity Investment

See Note 5 of the Notes to the Consolidated Financial Statements for information about the Company's investment in partially-owned leasing subsidiaries.

Future Operating Requirements

We expect to finance future operating requirements with cash, cash equivalents, and short-term marketable securities; cash flows from operations; and, depending on market conditions, short-term debt, long-term debt, and equity. Debt instruments that the Company has utilized include its revolving credit facility, the TILC warehouse facility, senior notes, convertible subordinated notes, asset-backed securities, and sale-leaseback transactions. As of December 31, 2016, the Company had unrestricted cash, cash equivalents, and short-term marketable securities balances of $798.1 million, and $507.7 million available under its revolving credit facility. Under the TILC warehouse facility, $795.9 million was unused and available as of December 31, 2016 based on the amount of warehouse-eligible, unpledged equipment. The Company believes it has access to adequate capital resources to fund operating requirements and is an active participant in the capital markets.

Off Balance Sheet Arrangements

As of December 31, 2016, we had letters of credit issued under our revolving credit facility in an aggregate principal amount of $92.3 million, of which $92.2 million is expected to expire in 2017 and the remainder in 2018. The majority of our letters of credit obligations support the Company's various insurance programs and generally renew each year. See Note 11 of the Notes to the Consolidated Financial Statements for information about our corporate revolving credit facility.

As described further in Note 18 of the Notes to the Consolidated Financial Statements, the Company posted a supersedeas bond in the amount of $686.0 million related to its Highway Products litigation. The Company obtained the supersedeas bond on an unsecured basis for a current annual premium of $3.7 million. Additionally, at December 31, 2016 the Company has outstanding surety bonds in the amount of $22.3 million issued to support our operations and, as required under the terms of certain customer agreements, to guarantee our performance.

See Note 6 of the Notes to the Consolidated Financial Statements for information about off balance sheet arrangements with regard to our Leasing Group.

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Derivative Instruments

We may use derivative instruments to mitigate the impact of changes in interest rates, both in anticipation of future debt issuances and to offset interest rate variability of certain floating rate debt issuances outstanding. We also may use derivative instruments to mitigate the impact of changes in natural gas and diesel fuel prices and changes in foreign currency exchange rates. For derivative instruments designated as hedges, the Company formally documents the relationship between the derivative instrument and the hedged item, as well as the risk management objective and strategy for the use of the derivative instrument. This documentation includes linking the derivatives that are designated as fair value or cash flow hedges to specific assets or liabilities on the balance sheet, commitments, or forecasted transactions. At the time a derivative instrument is entered into, and at least quarterly thereafter, the Company assesses whether the derivative instrument is effective in offsetting the changes in fair value or cash flows of the hedged item. Any change in fair value resulting in ineffectiveness, as defined by accounting standards issued by the Financial Accounting Standards Board ("FASB"), is recognized in current period earnings. For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is recorded in accumulated other comprehensive loss ("AOCL") as a separate component of stockholders' equity and reclassified into earnings in the period during which the hedged transaction affects earnings. Trinity monitors its derivative positions and the credit ratings of its counterparties and does not anticipate losses due to counterparties' non-performance. See Note 3 of the Notes to Consolidated Financial Statements for discussion of how the Company valued its commodity hedges and interest rate swaps at December 31, 2016. See Note 11 of the Notes to Consolidated Financial Statements for a description of the Company's debt instruments.

Interest rate hedges

			Included in accompanying balance sheet at December 31, 2016		
	Notional Amount	Interest Rate[1]	Liability	AOCL – loss/ (income)	Noncontrolling Interest
	(in millions, except %)				
Expired hedges:					
2006 secured railcar equipment notes	$200.0	4.87 %	$ —	$ (0.7)	$ —
TRIP Holdings warehouse loan	$788.5	3.60 %	$ —	$ 5.9	$ 8.0
Open hedges:					
TRIP Master Funding secured railcar equipment notes	$38.7	2.62 %	$ 0.9	$ 0.4	$ 0.5

[1] Weighted average fixed interest rate

	Effect on interest expense-increase/(decrease)			
	Year Ended December 31,			Expected effect during next twelve months[1]
	2016	2015	2014	
	(in millions)			
Expired hedges:				
2006 secured railcar equipment notes	$(0.4)	$(0.3)	$(0.3)	$ (0.2)
Promissory notes	$—	$1.2		