
UNITED STATES SECURITIES AND EXCHANGE CO.

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2020

OR

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

For the transition period from _____ to _____ .
Commission File Number 1-6903



TRINITY INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

2525 N. Stemmons Freeway

Dallas, Texas

(Address of principal executive offices)

75-0225040

(I.R.S. Employer Identification No.)

75207-2401

(Zip Code)

(214) 631-4420

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Common Stock

Trading Symbol(s)

TRN

Name of each exchange
on which registered

New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Smaller reporting company ☐ Emerging growth company ☐

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

At October 20, 2020, the number of shares of common stock, \$0.01 par value, outstanding was 114,161,556.

TRINITY INDUSTRIES, INC.

FORM 10-Q

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PART I

Item 1. Financial Statements

Trinity Industries, Inc. and Subsidiaries

Consolidated Statements of Operations

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in millions, except per share amounts)			
Revenues:				
Manufacturing	\$ 275.7	\$ 487.4	\$ 971.4	\$ 1,351.1
Leasing	183.7	326.2	612.4	803.3
	459.4	813.6	1,583.8	2,154.4
Operating costs:				
Cost of revenues:				
Manufacturing	248.1	430.7	885.2	1,181.9
Leasing	86.4	218.4	327.9	509.1
	334.5	649.1	1,213.1	1,691.0
Selling, engineering, and administrative expenses:				
Manufacturing	18.5	27.5	60.0	77.2
Leasing	11.7	10.7	39.0	36.2
Other	21.0	23.9	73.3	78.1
	51.2	62.1	172.3	191.5
Gains (losses) on dispositions of property:				
Net gains on railcar lease fleet sales owned more than one year at the time of sale	2.9	18.1	17.3	44.7
Other	1.0	(0.2)	2.8	2.5
	3.9	17.9	20.1	47.2
Impairment of long-lived assets	—	—	369.4	—
Restructuring activities, net	4.7	—	10.5	—
Total operating profit (loss)	72.9	120.3	(161.4)	319.1
Other (income) expense:				
Interest income	(0.6)	(1.8)	(3.0)	(4.7)
Interest expense	52.3	55.8	166.6	165.5
Other, net	2.0	—	0.5	0.2
	53.7	54.0	164.1	161.0
Income (loss) from continuing operations before income taxes	19.2	66.3	(325.5)	158.1
Provision (benefit) for income taxes:				
Current	(18.7)	2.5	(471.2)	2.7
Deferred	12.0	15.7	245.1	38.5
	(6.7)	18.2	(226.1)	41.2
Income (loss) from continuing operations	25.9	48.1	(99.4)	116.9
Loss from discontinued operations, net of benefit for income taxes of \$—, \$0.1, \$0.1, and \$0.6	—	(0.4)	(0.2)	(2.3)
Net income (loss)	25.9	47.7	(99.6)	114.6
Net income (loss) attributable to noncontrolling interest	0.8	(1.3)	(79.5)	(1.4)
Net income (loss) attributable to Trinity Industries, Inc.	\$ 25.1	\$ 49.0	\$ (20.1)	\$ 116.0
Basic earnings per common share:				
Income (loss) from continuing operations	\$ 0.21	\$ 0.39	\$ (0.17)	\$ 0.91
Income (loss) from discontinued operations	—	—	—	(0.02)
Basic net income (loss) attributable to Trinity Industries, Inc.	\$ 0.21	\$ 0.39	\$ (0.17)	\$ 0.89
Diluted earnings per common share:				
Income (loss) from continuing operations	\$ 0.21	\$ 0.39	\$ (0.17)	\$ 0.90
Income (loss) from discontinued operations	—	—	—	(0.02)
Diluted net income (loss) attributable to Trinity Industries, Inc.	\$ 0.21	\$ 0.39	\$ (0.17)	\$ 0.88
Weighted average number of shares outstanding:				
Basic	116.4	124.7	117.2	127.6
Diluted	117.0	126.0	117.2	129.2

Trinity Industries, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in millions)			
Net income (loss)	\$ 25.9	\$ 47.7	\$ (99.6)	\$ 114.6
Other comprehensive income (loss):				
Derivative financial instruments:				
Unrealized gains (losses) arising during the period, net of tax benefit (expense) of \$(0.6), \$1.4, \$7.6, and \$5.5	2.0	(4.6)	(25.3)	(18.1)
Reclassification adjustments for losses included in net income, net of tax benefit of \$1.3, \$0.3, \$3.0, and \$0.7	4.7	1.0	10.6	2.9
Defined benefit plans:				
Amortization of prior service cost, net of tax benefit of \$0.1, \$—, \$0.3, and \$—	0.2	—	0.6	—
Amortization of net actuarial losses, net of tax benefit of \$0.3, \$0.3, \$0.9, and \$0.9	1.2	0.9	3.6	2.5
	8.1	(2.7)	(10.5)	(12.7)
Comprehensive income (loss)	34.0	45.0	(110.1)	101.9
Less: comprehensive income (loss) attributable to noncontrolling interest	1.1	(0.9)	(78.6)	(0.4)
Comprehensive income (loss) attributable to Trinity Industries, Inc.	<u>\$ 32.9</u>	<u>\$ 45.9</u>	<u>\$ (31.5)</u>	<u>\$ 102.3</u>

See accompanying notes to Consolidated Financial Statements.

Trinity Industries, Inc. and Subsidiaries
Consolidated Balance Sheets

	September 30, 2020	December 31, 2019
	(unaudited)	
	(in millions)	
ASSETS		
Cash and cash equivalents	\$ 120.8	\$ 166.2
Receivables, net of allowance	219.9	260.1
Income tax receivable	485.0	14.7
Inventories:		
Raw materials and supplies	196.0	263.4
Work in process	79.2	108.8
Finished goods	97.9	61.2
	373.1	433.4
Restricted cash, including partially-owned subsidiaries of \$28.1 and \$33.0	101.1	111.4
Property, plant, and equipment, at cost, including partially-owned subsidiaries of \$1,929.5 and \$2,065.3	9,153.9	9,272.5
Less accumulated depreciation, including partially-owned subsidiaries of \$513.9 and \$527.7	(2,216.0)	(2,161.9)
	6,937.9	7,110.6
Goodwill	208.8	208.8
Other assets	276.6	396.2
Total assets	\$ 8,723.2	\$ 8,701.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 178.9	\$ 203.9
Accrued liabilities	333.8	342.1
Debt:		
Recourse	523.1	522.8
Non-recourse:		
Wholly-owned subsidiaries	3,172.7	3,080.7
Partially-owned subsidiaries	1,239.3	1,278.4
	4,935.1	4,881.9
Deferred income taxes	1,040.6	798.3
Other liabilities	141.2	96.3
Total liabilities	6,629.6	6,322.5
Preferred stock – 1.5 shares authorized and unissued	—	—
Common stock – 400.0 shares authorized	1.2	1.2
Capital in excess of par value	5.3	—
Retained earnings	2,066.8	2,182.9
Accumulated other comprehensive loss	(164.5)	(153.1)
Treasury stock	(91.5)	(0.9)
	1,817.3	2,030.1
Noncontrolling interest	276.3	348.8
Total stockholders' equity	2,093.6	2,378.9
Total liabilities and stockholders' equity	\$ 8,723.2	\$ 8,701.4

See accompanying notes to Consolidated Financial Statements.

Trinity Industries, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(unaudited)

	Nine Months Ended September 30,	
	2020	2019
	(in millions)	
Operating activities:		
Net income (loss)	\$ (99.6)	\$ 114.6
Loss from discontinued operations, net of income taxes	0.2	2.3
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	199.5	210.5
Stock-based compensation expense	19.7	21.4
Provision for deferred income taxes	245.1	38.5
Net gains on railcar lease fleet sales owned more than one year at the time of sale	(17.3)	(44.7)
Gains on dispositions of property and other assets	(6.3)	(2.5)
Impairment of long-lived assets	369.4	—
Non-cash impact of restructuring activities	5.9	—
Non-cash interest expense	9.5	10.4
Loss on early extinguishment of debt	5.0	—
Other	2.1	(2.0)
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	40.1	(28.1)
(Increase) decrease in income tax receivable	(470.3)	19.3
(Increase) decrease in inventories	60.3	(108.2)
(Increase) decrease in other assets	142.0	(68.6)
Increase (decrease) in accounts payable	(28.9)	38.7
Increase (decrease) in accrued liabilities	(18.8)	(28.8)
Increase (decrease) in other liabilities	(0.8)	(6.5)
Net cash provided by operating activities – continuing operations	456.8	166.3
Net cash used in operating activities – discontinued operations	(0.2)	(2.3)
Net cash provided by operating activities	456.6	164.0
Investing activities:		
Proceeds from dispositions of property and other assets	19.8	19.5
Proceeds from railcar lease fleet sales owned more than one year at the time of sale	138.7	175.0
Capital expenditures – leasing, net of sold lease fleet railcars owned one year or less with a net cost of \$54.0 and \$210.3	(448.8)	(854.3)
Capital expenditures – manufacturing and other	(70.7)	(63.3)
Other	—	(0.2)
Net cash used in investing activities	(361.0)	(723.3)
Financing activities:		
Payments to retire debt	(795.5)	(1,360.8)
Proceeds from issuance of debt	835.8	2,010.2
Shares repurchased	(120.4)	(154.9)
Dividends paid to common shareholders	(67.8)	(60.8)
Purchase of shares to satisfy employee tax on vested stock	(9.3)	(8.0)
Contributions from (distributions to) noncontrolling interest	6.1	(2.1)
Other	(0.2)	—
Net cash provided by (used in) financing activities	(151.3)	423.6
Net decrease in cash, cash equivalents, and restricted cash	(55.7)	(135.7)
Cash, cash equivalents, and restricted cash at beginning of period	277.6	350.8
Cash, cash equivalents, and restricted cash at end of period	\$ 221.9	\$ 215.1

See accompanying notes to Consolidated Financial Statements.

Trinity Industries, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
(unaudited)

	Common Stock					Accumulated Other Comprehensive Loss	Treasury Stock					Total Stockholders' Equity
	Shares	\$0.01 Par Value	Capital in Excess of Par Value	Retained Earnings			Shares	Amount	Trinity Stockholders' Equity	Noncontrolling Interest		
(in millions, except par value and per common share amounts)												
Balances at December 31, 2019	119.7	\$ 1.2	\$ —	\$ 2,182.9	\$	(153.1)	(0.1)	\$ (0.9)	\$ 2,030.1	\$ 348.8	\$	2,378.9
Net income	—	—	—	161.7		—	—	—	161.7	0.6		162.3
Other comprehensive (loss) income	—	—	—	—		(23.5)	—	—	(23.5)	0.3		(23.2)
Cash dividends declared on common stock ⁽¹⁾	—	—	—	(24.6)		—	—	—	(24.6)	—		(24.6)
Stock-based compensation expense	—	—	7.3	—		—	—	—	7.3	—		7.3
Shares repurchased	—	—	—	—		—	(1.9)	(35.4)	(35.4)	—		(35.4)
Settlement of share-based awards, net	—	—	0.7	—		—	—	(0.9)	(0.2)	—		(0.2)
Cumulative effect of adopting new accounting standard	—	—	—	0.5		—	—	—	0.5	—		0.5
Other	—	—	—	0.5		—	—	—	0.5	—		0.5
Balances at March 31, 2020	119.7	\$ 1.2	\$ 8.0	\$ 2,321.0	\$	(176.6)	(2.0)	\$ (37.2)	\$ 2,116.4	\$ 349.7	\$	2,466.1
Net income (loss)	—	—	—	(206.9)		—	—	—	(206.9)	(80.9)		(287.8)
Other comprehensive income	—	—	—	—		4.3	—	—	4.3	0.3		4.6
Cash dividends declared on common stock ⁽¹⁾	—	—	—	(20.6)		—	—	—	(20.6)	—		(20.6)
Stock-based compensation expense	—	—	7.6	—		—	—	—	7.6	—		7.6
Settlement of share-based awards, net	1.5	—	1.9	—		—	(0.6)	(11.4)	(9.5)	—		(9.5)
Retirement of treasury stock	(2.5)	—	(17.5)	(30.2)		—	2.5	47.7	—	—		—
Balances at June 30, 2020	118.7	\$ 1.2	\$ —	\$ 2,063.3	\$	(172.3)	(0.1)	\$ (0.9)	\$ 1,891.3	\$ 269.1	\$	2,160.4
Net income	—	—	—	25.1		—	—	—	25.1	0.8		25.9
Other comprehensive income	—	—	—	—		7.8	—	—	7.8	0.3		8.1
Cash dividends declared on common stock ⁽¹⁾	—	—	—	(21.6)		—	—	—	(21.6)	—		(21.6)
Stock-based compensation expense	—	—	4.8	—		—	—	—	4.8	—		4.8
Shares repurchased	—	—	—	—		—	(4.5)	(89.9)	(89.9)	—		(89.9)
Settlement of share-based awards, net	—	—	0.5	—		—	—	(0.7)	(0.2)	—		(0.2)
Contributions from noncontrolling interest	—	—	—	—		—	—	—	—	6.1		6.1
Balances at September 30, 2020	118.7	\$ 1.2	\$ 5.3	\$ 2,066.8	\$	(164.5)	(4.6)	\$ (91.5)	\$ 1,817.3	\$ 276.3	\$	2,093.6

⁽¹⁾ Dividends of \$0.19 per common share for all periods presented in 2020.

	Common Stock				Accumulated Other Comprehensive Loss	Treasury Stock						Total Stockholders' Equity
	Shares	\$0.01 Par Value	Capital in Excess of Par Value	Retained Earnings		Shares	Amount	Trinity Stockholders' Equity	Noncontrolling Interest			
(in millions, except par value and per common share amounts)												
Balances at December 31, 2018	133.3	\$ 1.3	\$ 1.2	\$ 2,326.1	\$ (116.8)	(0.1)	\$ (1.0)	\$ 2,210.8	\$ 351.2	\$		\$ 2,562.0
Net income (loss)	—	—	—	30.6	—	—	—	30.6	(0.5)			30.1
Other comprehensive income (loss)	—	—	—	—	(4.1)	—	—	(4.1)	0.3			(3.8)
Cash dividends declared on common stock ⁽¹⁾	—	—	—	(22.3)	—	—	—	(22.3)	—			(22.3)
Stock-based compensation expense	—	—	5.5	—	—	—	—	5.5	—			5.5
Shares repurchased	—	—	70.0	—	—	(3.5)	(89.0)	(19.0)	—			(19.0)
Settlement of share-based awards, net	—	—	0.6	—	—	—	(1.1)	(0.5)	—			(0.5)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	—	(0.4)			(0.4)
Cumulative effect of adopting new accounting standard	—	—	—	13.7	—	—	—	13.7	—			13.7
Other	—	—	—	(0.2)	—	—	—	(0.2)	—			(0.2)
Balances at March 31, 2019	133.3	\$ 1.3	\$ 77.3	\$ 2,347.9	\$ (120.9)	(3.6)	\$ (91.1)	\$ 2,214.5	\$ 350.6	\$		\$ 2,565.1
Net income	—	—	—	36.4	—	—	—	36.4	0.4			36.8
Other comprehensive income (loss)	—	—	—	—	(6.5)	—	—	(6.5)	0.3			(6.2)
Cash dividends declared on common stock ⁽¹⁾	—	—	—	(21.6)	—	—	—	(21.6)	—			(21.6)
Stock-based compensation expense	—	—	7.5	—	—	—	—	7.5	—			7.5
Shares repurchased	—	—	—	—	—	(2.1)	(44.0)	(44.0)	—			(44.0)
Retirement of treasury stock	(6.1)	—	(85.8)	(56.9)	—	6.1	142.7	—	—			—
Settlement of share-based awards, net	0.7	—	1.0	—	—	(0.5)	(8.5)	(7.5)	—			(7.5)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	—	(0.5)			(0.5)
Balances at June 30, 2019	127.9	\$ 1.3	\$ —	\$ 2,305.8	\$ (127.4)	(0.1)	\$ (0.9)	\$ 2,178.8	\$ 350.8	\$		\$ 2,529.6
Net income (loss)	—	—	—	49.0	—	—	—	49.0	(1.3)			47.7
Other comprehensive income (loss)	—	—	—	—	(3.1)	—	—	(3.1)	0.4			(2.7)
Cash dividends declared on common stock ⁽¹⁾	—	—	—	(21.3)	—	—	—	(21.3)	—			(21.3)
Stock-based compensation expense	—	—	8.4	—	—	—	—	8.4	—			8.4
Shares repurchased	—	—	—	—	—	(5.2)	(100.9)	(100.9)	—			(100.9)
Retirement of treasury stock	—	—	(8.6)	8.6	—	—	—	—	—			—
Settlement of share-based awards, net	—	—	0.2	—	—	—	(0.5)	(0.3)	—			(0.3)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	—	(1.2)			(1.2)
Balances at September 30, 2019	127.9	\$ 1.3	\$ —	\$ 2,342.1	\$ (130.5)	(5.3)	\$ (102.3)	\$ 2,110.6	\$ 348.7	\$		\$ 2,459.3

(1) Dividends of \$0.17 per common share for all periods presented in 2019.

See accompanying notes to Consolidated Financial Statements.

Trinity Industries, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The foregoing Consolidated Financial Statements are unaudited and have been prepared from the books and records of Trinity Industries, Inc. and its consolidated subsidiaries ("Trinity," "Company," "we," "our," or "us") including the accounts of our wholly-owned subsidiaries and partially-owned subsidiaries, TRIP Rail Holdings LLC ("TRIP Holdings") and RIV 2013 Rail Holdings LLC ("RIV 2013"), in which we have a controlling interest. In our opinion, all normal and recurring adjustments necessary for a fair presentation of our financial position as of September 30, 2020, and the results of operations for the three and nine months ended September 30, 2020 and 2019, and cash flows for the nine months ended September 30, 2020 and 2019, have been made in conformity with generally accepted accounting principles. All significant intercompany accounts and transactions have been eliminated. Certain prior year balances have been reclassified to conform to the 2020 presentation.

Due to seasonal and other factors, including the impacts of the coronavirus pandemic ("COVID-19") and the related governmental response, the results of operations for the nine months ended September 30, 2020 may not be indicative of expected results of operations for the year ending December 31, 2020. These interim financial statements and notes are condensed as permitted by the instructions to Form 10-Q and should be read in conjunction with our audited Consolidated Financial Statements included in our Form 10-K for the year ended December 31, 2019.

Revenue Recognition

Revenue is measured based on the allocation of the transaction price in a contract to satisfied performance obligations. The transaction price does not include any amounts collected on behalf of third parties. We recognize revenue when we satisfy a performance obligation by transferring control over a product or service to a customer. Payments for our products and services are generally due within normal commercial terms. The following is a description of principal activities from which we generate our revenue, separated by reportable segments. See Note 3 for a further discussion regarding our reportable segments.

Railcar Leasing and Management Services Group

In our Railcar Leasing and Management Services Group ("Leasing Group"), revenue from rentals and operating leases, including contracts that contain non-level fixed lease payments, is recognized monthly on a straight-line basis. Leases not classified as operating leases are generally considered sales-type leases as a result of an option to purchase.

We review our operating lease receivables for collectibility on a regular basis, taking into consideration changes in factors such as the lessee's payment history, the financial condition of the lessee, and business and economic conditions in the industry in which the lessee operates. In the event that the collectibility of a receivable with respect to any lessee is no longer probable, we de-recognize the revenue and related receivable and recognize future revenue only when the lessee makes a rental payment. Contingent rents are recognized when the contingency is resolved.

Selling profit or loss associated with sales-type leases is recognized upon lease commencement, and a net investment in the sales-type lease is recorded on the Consolidated Balance Sheet. Interest income related to sales-type leases is recognized over the lease term using the effective interest method. We had no sales-type leases as of September 30, 2020.

Revenue is recognized from the sales of railcars from the lease fleet on a gross basis in leasing revenues and cost of revenues if the railcar has been owned for one year or less at the time of sale. Sales of railcars from the lease fleet owned for more than one year are recognized as a net gain or loss from the disposal of a long-term asset. Revenue from servicing and management agreements is recognized as each performance period occurs.

We account for shipping and handling costs as activities to fulfill the promise to transfer the goods; as such, these fees are recorded in revenue. The fees and costs of shipping and handling activities are accrued when the related performance obligation has been satisfied.

Rail Products Group

Our railcar manufacturing business recognizes revenue when the customer has submitted its certificate of acceptance and legal title of the railcar has passed to the customer. Certain contracts for the sales of railcars include price adjustments based on steel-price indices; this amount represents variable consideration for which we are unable to estimate the final consideration until the railcar is delivered.

Within our maintenance services business, revenue is recognized over time as repair and maintenance projects are completed, using an input approach based on the costs incurred relative to the total estimated costs of performing the project. We recorded contract assets of \$4.9 million and \$5.2 million as of September 30, 2020 and December 31, 2019, respectively, related to unbilled revenues recognized on repair and maintenance services that have been performed, but for which the entire project has not yet been completed, and the railcar has not yet been shipped to the customer. These contract assets are included within the Receivables, net of allowance line in our Consolidated Balance Sheets.

All Other

Our highway products business recognizes revenue when shipment has occurred and legal title of the product has passed to the customer.

Unsatisfied Performance Obligations

The following table includes estimated revenue expected to be recognized in future periods related to performance obligations that are unsatisfied or partially satisfied as of September 30, 2020 and the percentage of the outstanding performance obligations as of September 30, 2020 expected to be delivered during the remainder of 2020:

	Unsatisfied performance obligations at September 30, 2020	
	Total Amount (in millions)	Percent expected to be delivered in 2020
Rail Products Group:		
Products:		
External Customers	\$ 725.8	
Leasing Group	429.6	
	\$ 1,155.4	19.7 %
Maintenance services	\$ 12.3	17.1 %
Railcar Leasing and Management Services Group	\$ 92.5	5.1 %

The remainder of the unsatisfied performance obligations for the Rail Products Group is expected to be delivered through 2023. Unsatisfied performance obligations for the Railcar Leasing and Management Services Group are related to servicing, maintenance, and management agreements and are expected to be performed through 2029.

Lease Accounting

Lessee

We are the lessee of operating leases predominantly for railcars, as well as office buildings, manufacturing equipment, and office equipment. Our operating leases have remaining lease terms ranging from one year to sixteen years, some of which include options to extend for up to five years, and some of which include options to terminate within one year. As of September 30, 2020, we had no material finance leases in which we were the lessee. Certain of our operating leases include lease incentives, which reduce the right-of-use asset and are recognized on a straight-line basis over the lease term. As applicable, the lease liability is also reduced by the amount of lease incentives that have not yet been reimbursed by the lessor.

In March 2020, we entered into a lease agreement for a new headquarters facility in Dallas, Texas. The new lease has a contractual term of 16 years from the legal commencement date, which is February 1, 2021. There is an option to extend the lease term; however, we determined that the renewal was not reasonably certain at lease inception. For accounting purposes, the lease commencement date was determined to be in April 2020, which is when we obtained control of the new facility for build-out purposes.

The following table summarizes the impact of our operating leases on our Consolidated Financial Statements (in millions, except lease term and discount rate):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Consolidated Statement of Operations				
Operating lease expense	\$ 3.7	\$ 4.0	\$ 12.2	\$ 13.3
Short-term lease expense	\$ 0.7	\$ 0.9	\$ 2.1	\$ 3.5
			September 30, 2020	December 31, 2019
Consolidated Balance Sheet				
Right-of-use assets ⁽¹⁾			\$ 77.0	\$ 44.2
Lease liabilities ⁽²⁾			\$ 89.9	\$ 44.8
Weighted average remaining lease term			11.2 years	4.8 years
Weighted average discount rate			3.4 %	4.1 %
			Nine Months Ended September 30,	
			2020	2019
Consolidated Statement of Cash Flows				
Cash flows from operating activities			\$ 12.2	\$ 13.3
Right-of-use assets recognized in exchange for new lease liabilities ⁽³⁾			\$ 53.6	\$ 8.4

⁽¹⁾ Included in other assets in our Consolidated Balance Sheet. See Note 10 for more information on the impairment of right-of-use assets.

⁽²⁾ Included in other liabilities in our Consolidated Balance Sheet.

⁽³⁾ Includes the commencement of the new headquarters facility described above for the nine months ended September 30, 2020.

Future contractual minimum operating lease liabilities will mature as follows (in millions):

	Leasing Group	Non-Leasing Group	Total
Remaining three months of 2020	\$ 2.2	\$ 1.1	\$ 3.3
2021	8.6	3.5	12.1
2022	7.8	7.4	15.2
2023	6.0	7.5	13.5
2024	2.9	6.3	9.2
Thereafter	1.5	68.5	70.0
Total operating lease payments	\$ 29.0	\$ 94.3	\$ 123.3
Less: Present value adjustment			(23.7)
Less: Lease incentives			(9.7)
Total operating lease liabilities			\$ 89.9

Lessor

Our Leasing Group enters into railcar operating leases with third parties with terms generally ranging between one year and ten years, although certain leases entered into in prior periods had lease terms of up to twenty years. The majority of our fleet operates on leases that earn fixed monthly lease payments. Generally, lease payments are due at the beginning of the applicable month. A portion of our fleet operates on per diem leases that earn usage-based variable lease payments. Some of our leases include options to extend the leases for up to five years, and a small percentage of our leases include options to terminate within one year with certain notice requirements and early termination penalties.

In the second quarter, due to COVID-19, certain of the Leasing Group's customers requested rent relief, primarily in the form of rent payment extensions. In April 2020, the FASB staff issued a question and answer document (the "Lease Modification Q&A") focused on the application of lease accounting guidance to lease concessions provided as a result of the COVID-19 pandemic. The Lease Modification Q&A provides entities with the option to elect to account for lease concessions resulting from COVID-19 as though the enforceable rights and obligations existed in the original lease in certain circumstances. We have elected this practical expedient in our accounting for any eligible lease concessions provided for our leased railcars. To date, these concessions have not had a significant impact on our Consolidated Financial Statements.

Leases previously classified as sales-type leases included an option for the lessee to purchase the leased railcars with certain notice. During the three months ended March 31, 2020, the lessee exercised its option to purchase the leased railcars. As of September 30, 2020, non-Leasing Group operating leases were not significant, and we had no sales-type leases and no direct finance leases.

We manage risks associated with residual values of leased railcars by investing across a diverse portfolio of railcar types, staggering lease maturities within any given railcar type, avoiding concentration of railcar type and industry, and participating in active secondary markets. Additionally, our lease agreements contain normal wear and tear return condition provisions and high mileage thresholds designed to protect the value of our residual assets. Our lease agreements do not contain any material residual value guarantees or restrictive covenants.

The following table summarizes the impact of our leases on our Consolidated Statement of Operations (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Operating lease revenues	\$ 169.1	\$ 169.5	\$ 506.4	\$ 506.9
Variable operating lease revenues	\$ 9.0	\$ 12.5	\$ 32.2	\$ 36.6
Sales-type lease revenues	\$ —	\$ 26.3	\$ —	\$ 60.5
Interest income on sales-type lease receivables	\$ —	\$ 0.6	\$ —	\$ 0.9
Profit recognized at sales-type lease commencement	\$ —	\$ 3.7	\$ —	\$ 7.8

Future contractual minimum revenues for operating leases will mature as follows (in millions)⁽¹⁾:

Remaining three months of 2020	\$	152.0
2021		516.5
2022		406.5
2023		296.9
2024		215.2
Thereafter		391.6
Total	\$	1,978.7

(1) Total contractual minimum rental revenues on operating leases relates to our wholly-owned and partially-owned subsidiaries and sub-lease rental revenues associated with the Leasing Group's operating lease obligations.

Financial Instruments

We consider all highly liquid debt instruments to be either cash and cash equivalents if purchased with a maturity of three months or less, or short-term marketable securities if purchased with a maturity of more than three months and less than one year.

Financial instruments that potentially subject us to a concentration of credit risk are primarily cash investments including restricted cash and receivables. We place our cash investments in bank deposits and investment grade, short-term debt instruments and limit the amount of credit exposure to any one commercial issuer. The carrying values of cash, receivables, and accounts payable are considered to be representative of their respective fair values.

Concentrations of credit risk with respect to receivables are limited due to control procedures that monitor the credit worthiness of customers, the large number of customers in our customer base, and their dispersion across different end markets and geographic areas. Receivables are generally evaluated at a portfolio level based on these characteristics. As receivables are generally unsecured, we maintain an allowance for credit losses using a forward-looking approach based on historical expected losses and consideration of current and expected future economic conditions. Historically, we have observed that the likelihood of loss increases when receivables have aged beyond 180 days. When a receivable is deemed uncollectible, the write-off is recorded as a reduction to allowance for credit losses. During the nine months ended September 30, 2020, we recognized approximately \$2.8 million of credit loss expense, which included \$0.9 million in write-offs, related to our trade receivables that are in the scope of ASC 326, bringing the allowance for credit losses balance at September 30, 2020 to \$8.3 million. This balance excludes the general reserve for operating lease receivables that is permitted under ASC 450.

Property, Plant, and Equipment

In early 2020, we finalized an assessment of the estimated useful lives and salvage value assumptions for the railcars in our lease fleet. Based upon analysis of historical fleet data, review of industry standards, and consideration of certain economic factors by railcar type, we determined that it was appropriate to revise the useful lives and salvage values of certain railcar types in our lease fleet. The net impact of these changes, which took effect January 1, 2020, resulted in a change in the weighted average useful life from approximately 34 years to approximately 37 years. This change was accounted for as a change in accounting estimate, which is required to be accounted for on a prospective basis. This change in estimate resulted in a decrease in depreciation expense and a corresponding increase in income from continuing operations of approximately \$7.7 million and \$23.1 million, as well as an increase in net income of approximately \$5.9 million and \$17.7 million, for the three and nine months ended September 30, 2020, respectively. Further, earnings per share increased \$0.05 for the three months ended September 30, 2020 and increased \$0.15 per share for the nine months ended September 30, 2020. See Note 10 for further information regarding impairment of long-lived assets related to our small cube covered hopper railcars recorded in the nine months ended September 30, 2020.

Goodwill

As of September 30, 2020 and December 31, 2019, the carrying amount of our goodwill totaled \$208.8 million, which is primarily attributable to the Rail Products Group.

Warranties

We provide various express, limited product warranties that generally range from one year to five years depending on the product. The warranty costs are estimated using a two-step approach. First, an engineering estimate is made for the cost of all claims that have been asserted by customers. Second, based on historical claims experience, a cost is accrued for all products still within a warranty period for which no claims have been filed. We provide for the estimated cost of product warranties at the time revenue is recognized related to products covered by warranties and assess the adequacy of the resulting reserves on a quarterly basis. The changes in the accruals for warranties for the three and nine months ended September 30, 2020 and 2019 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in millions)			
Beginning balance	\$ 9.5	\$ 8.3	\$ 8.1	\$ 7.4
Warranty costs incurred	(0.3)	(1.7)	(1.8)	(3.2)
Warranty originations and revisions	0.3	3.2	3.3	5.8
Warranty expirations	(0.3)	—	(0.4)	(0.2)
Ending balance	<u>\$ 9.2</u>	<u>\$ 9.8</u>	<u>\$ 9.2</u>	<u>\$ 9.8</u>

Recent Accounting Pronouncements

Adopted in 2020

ASU 2016-13 — In June 2016, FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments," which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses rather than incurred losses to estimate credit losses on certain types of financial instruments, including trade receivables. This approach may result in the earlier recognition of allowances for losses. In November 2018, the FASB issued ASU No. 2018-19, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses," which excludes operating lease receivables from the scope of ASU 2016-13. ASU 2016-13 is effective for public companies during interim and annual reporting periods beginning after December 15, 2019, with early adoption permitted.

We adopted ASU 2016-13 effective January 1, 2020 using a cumulative-effect adjustment to the opening balance of retained earnings on January 1, 2020. Therefore, comparative financial information was not adjusted. We assessed our outstanding receivables by reportable segment and determined the expected loss rate using historical loss information and aging considerations, as well as the current and future economic conditions of our customer base and the end markets in which they operate. The Leasing Group's outstanding receivables primarily relate to their servicing and management agreements. The method for evaluating the Leasing Group's operating lease receivables remained unchanged by ASU 2016-13. The Rail Products Group's outstanding receivables primarily relate to amounts due on manufactured railcars, as well as completed repairs and maintenance projects. Upon adoption, we recorded an adjustment to opening retained earnings of approximately \$0.7 million (\$0.5 million, net of tax). The ongoing application of ASU 2016-13 is not expected to materially impact our results of operations, financial position, or cash flows.

ASU 2018-15 — In August 2018, the FASB issued ASU No. 2018-15, "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract," which aligns the accounting for costs incurred to implement a cloud computing arrangement that is a service arrangement with the guidance on capitalizing costs associated with developing or obtaining internal-use software. ASU 2018-15 is effective for public companies during interim and annual reporting periods beginning after December 15, 2019, with early adoption permitted. We adopted ASU 2018-15 effective January 1, 2020 on a prospective basis. Beginning January 1, 2020, capitalized implementation costs are included within other assets in the Consolidated Balance Sheet and are depreciated within selling, general, and administrative expenses in the Consolidated Statement of Operations. The adoption did not have a significant impact on our Consolidated Financial Statements.

ASU 2020-04 — In March 2020, the FASB issued ASU No. 2020-04, "Facilitation of the Effects of Reference Rate Reform on Financial Reporting," which provides temporary optional expedients to accounting guidance on contract modifications and hedge accounting to ease the potential financial reporting burdens as the market transitions from the London Interbank Offered Rate ("LIBOR") to alternative reference rates. ASU 2020-04 was effective upon issuance. ASU 2020-04 is in response to the July 2017 announcement by United Kingdom's Financial Conduct Authority, which regulates the LIBOR, that it will no longer persuade or require banks to submit rates for the calculation of LIBOR after 2021. We currently have LIBOR-based contracts that extend beyond 2021 including derivative instruments, promissory notes for Trinity Rail Leasing 2017, LLC, a Delaware limited liability company and a limited purpose, indirect wholly-owned subsidiary of the Company owned through Trinity Industries Leasing Company ("TILC"), TILC's warehouse loan facility, and our revolving credit facility. The adoption is not expected to have a significant impact on our Consolidated Financial Statements.

Note 2. Derivative Instruments and Fair Value Accounting

Derivative Instruments

We 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. Derivative instruments that are designated and qualify as cash flow hedges are accounted for by recording the effective portion of the gain or loss on the derivative instrument 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. We continuously monitor our derivative positions and the credit ratings of our counterparties and do not anticipate losses due to non-performance. See Note 7 for a description of our debt instruments.

Interest Rate Hedges

				Included in accompanying balance sheet at September 30, 2020		
	Notional Amount	Interest Rate (1)	Asset/(Liability)	AOCL – loss/(income)	Noncontrolling Interest	
	(in millions, except %)					
Expired hedges:						
2018 secured railcar equipment notes	\$ 249.3	4.41 %	\$ —	\$ 0.9	\$ —	
TRIP Holdings warehouse loan	\$ 788.5	3.60 %	\$ —	\$ 1.6	\$ 2.1	
TRIP Master Funding secured railcar equipment notes	\$ 34.8	2.62 %	\$ —	\$ 0.1	\$ 0.1	
2017 promissory notes - interest rate cap	\$ 169.3	3.00 %	\$ —	\$ (0.5)	\$ —	
Open hedge:						
2017 promissory notes - interest rate swap	\$ 494.6	2.66 %	\$ (50.0)	\$ 49.5	\$ —	

(1) Weighted average fixed interest rate, except for the interest rate cap on the 2017 promissory notes.

	Effect on interest expense-increase/(decrease)									
	Three Months Ended September 30,				Nine Months Ended September 30,				Expected effect during next twelve months ⁽¹⁾	
	2020		2019		2020		2019			
	(in millions)									
Expired hedges:										
2006 secured railcar equipment notes ⁽²⁾	\$	—	\$	—	\$	(0.1)	\$	(0.1)	\$	—
2018 secured railcar equipment notes	\$	0.1	\$	0.1	\$	0.2	\$	0.2	\$	0.2
TRIP Holdings warehouse loan	\$	0.5	\$	0.5	\$	1.5	\$	1.5	\$	1.6
TRIP Master Funding secured railcar equipment notes	\$	0.1	\$	0.1	\$	0.2	\$	0.2	\$	0.1
2017 promissory notes - interest rate cap	\$	(0.1)	\$	—	\$	(0.1)	\$	(0.1)	\$	(0.1)
Open hedge:										
2017 promissory notes - interest rate swap	\$	3.1	\$	0.6	\$	7.8	\$	1.9	\$	10.9

(1) Based on the fair value of open hedges as of September 30, 2020.

(2) Upon settlement of the debt in March 2020, the remaining balance of \$0.1 million in AOCL was recognized through interest expense. See Note 7 for additional information on the debt redemption.

Other Derivatives

	Included in accompanying balance sheet at September 30, 2020			Effect on cost of revenues – increase/(decrease)		
	Notional Amount	Asset/(Liability)	AOCL – loss/(income)	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020	Expected effect during next twelve months ⁽¹⁾
	(in millions)					
Foreign currency hedge	\$ 55.0	\$ 2.1	\$ (2.3)	\$ 2.3	\$ 4.1	\$ (2.3)

(1) Based on the fair value of open hedges as of September 30, 2020.

Our exposure related to foreign currency and commodity transactions is currently hedged for up to a maximum of twelve months. The effect of commodity hedge transactions was immaterial to the Consolidated Financial Statements for all periods presented herein.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for that asset or liability in an orderly transaction between market participants on the measurement date. An entity is required to establish a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are listed below.

Level 1 — This level is defined as quoted prices in active markets for identical assets or liabilities. Our cash equivalents and restricted cash are instruments of the U.S. Treasury or highly-rated money market mutual funds. The assets measured as Level 1 in the fair value hierarchy are summarized below:

	Level 1	
	September 30, 2020	December 31, 2019
	(in millions)	
Assets:		
Cash equivalents	\$ 24.2	\$ 57.9
Restricted cash	101.1	111.4
Total assets	\$ 125.3	\$ 169.3

Level 2 — This level is defined as observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Interest rate hedges are valued at exit prices obtained from each counterparty. Foreign currency hedges are valued at exit prices obtained from each counterparty, which are based on currency spot and forward rates and forward points. The assets and liabilities measured as Level 2 in the fair value hierarchy are summarized below:

	Level 2	
	September 30, 2020	December 31, 2019
	(in millions)	
Assets:		
Foreign currency hedge ⁽¹⁾	\$ 2.1	\$ 1.2
Total assets	\$ 2.1	\$ 1.2
Liabilities:		
Interest rate hedge ⁽²⁾	\$ 50.0	\$ 28.0
Total liabilities	\$ 50.0	\$ 28.0

⁽¹⁾ Included in other assets in our Consolidated Balance Sheets.

⁽²⁾ Included in accrued liabilities in our Consolidated Balance Sheets.

Level 3 — This level is defined as unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. As of September 30, 2020 and December 31, 2019, we have no assets measured as Level 3 in the fair value hierarchy, except as described in Note 10 to this Form 10-Q and Note 10 to the Consolidated Financial Statements included in our 2019 Annual Report on Form 10-K.

See Note 10 for more information regarding the non-recurring fair value measurement considerations during the nine months ended September 30, 2020 for the impairment charge related to our small cube covered hopper railcars. See Note 7 for the estimated fair values of our debt instruments. The fair values of all other financial instruments are estimated to approximate carrying value.

Note 3. Segment Information

We report our operating results in three principal business segments: (1) the Railcar Leasing and Management Services Group, which owns and operates a fleet of railcars and provides third-party fleet leasing, management, and administrative services; (2) the Rail Products Group, which manufactures and sells railcars and related parts and components, and provides railcar maintenance and modification services; and (3) All Other, which includes our highway products business and legal, environmental, and maintenance costs associated with non-operating facilities. In connection with the implementation of our rail-focused strategy, in the first quarter of 2020, we realigned certain activities previously reported in the All Other segment to now be presented within the Rail Products Group. The prior period results have been recast to reflect these changes and present results on a comparable basis.

Gains and losses from the sale of property, plant, and equipment are included in the operating profit of each respective segment. Our Chief Operating Decision Maker ("CODM") regularly reviews the operating results of our reportable segments in order to assess performance and allocate resources. Our CODM does not consider impairment of long-lived assets or restructuring activities when evaluating segment operating results; therefore, impairment of long-lived assets and restructuring activities are not allocated to segment profit or loss.

Sales and related net profits ("deferred profit") from the Rail Products Group to the Leasing Group are recorded in the Rail Products Group and eliminated in consolidation and are reflected in "Eliminations – Lease Subsidiary" in the tables below. Sales between these groups are recorded at prices comparable to those charged to external customers, taking into consideration quantity, features, and production demand. Amortization of deferred profit on railcars sold to the Leasing Group is included in the operating profit of the Leasing Group, resulting in the recognition of depreciation expense based on our original manufacturing cost of the railcars. Sales of railcars from the lease fleet are included in the Leasing Group, with related gains and losses computed based on the net book value of the original manufacturing cost of the railcars.

The financial information for these segments is shown in the tables below (in millions). We operate principally in North America.

Three Months Ended September 30, 2020

	Railcar Leasing and Management Services Group	Rail Products Group	All Other	Eliminations – Lease Subsidiary	Eliminations – Other	Consolidated Total
External Revenue	\$ 183.7	\$ 213.1	\$ 62.6	\$ —	\$ —	\$ 459.4
Intersegment Revenue	0.2	168.1	—	(166.0)	(2.3)	—
Total Revenues	\$ 183.9	\$ 381.2	\$ 62.6	\$ (166.0)	\$ (2.3)	\$ 459.4

Three Months Ended September 30, 2019

	Railcar Leasing and Management Services Group	Rail Products Group	All Other	Eliminations – Lease Subsidiary	Eliminations – Other	Consolidated Total
External Revenue	\$ 326.2	\$ 418.8	\$ 68.6	\$ —	\$ —	\$ 813.6
Intersegment Revenue	0.2	316.3	1.7	(314.0)	(4.2)	—
Total Revenues	\$ 326.4	\$ 735.1	\$ 70.3	\$ (314.0)	\$ (4.2)	\$ 813.6

Nine Months Ended September 30, 2020

	Railcar Leasing and Management Services Group	Rail Products Group	All Other	Eliminations – Lease Subsidiary	Eliminations – Other	Consolidated Total
External Revenue	\$ 612.4	\$ 777.6	\$ 193.8	\$ —	\$ —	\$ 1,583.8
Intersegment Revenue	0.6	518.6	1.5	(512.4)	(8.3)	—
Total Revenues	\$ 613.0	\$ 1,296.2	\$ 195.3	\$ (512.4)	\$ (8.3)	\$ 1,583.8

Nine Months Ended September 30, 2019

	Railcar Leasing and Management Services Group	Rail Products Group	All Other	Eliminations – Lease Subsidiary	Eliminations – Other	Consolidated Total
External Revenue	\$ 803.3	\$ 1,156.6	\$ 194.5	\$ —	\$ —	\$ 2,154.4
Intersegment Revenue	0.6	919.2	5.8	(913.0)	(12.6)	—
Total Revenues	\$ 803.9	\$ 2,075.8	\$ 200.3	\$ (913.0)	\$ (12.6)	\$ 2,154.4

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in millions)			
Operating profit (loss):				
Railcar Leasing and Management Services Group	\$ 89.7	\$ 115.7	\$ 265.5	\$ 306.3
Rail Products Group	3.2	65.4	36.2	180.8
All Other	7.3	3.9	23.9	19.9
Segment Totals before Eliminations, Corporate Expenses, Impairment of long-lived assets, and Restructuring activities	100.2	185.0	325.6	507.0
Corporate	(21.0)	(23.9)	(73.3)	(78.1)
Impairment of long-lived assets	—	—	(369.4)	—
Restructuring activities, net	(4.7)	—	(10.5)	—
Eliminations – Lease Subsidiary	(2.6)	(40.7)	(33.5)	(109.5)
Eliminations – Other	1.0	(0.1)	(0.3)	(0.3)
Consolidated operating profit (loss)	\$ 72.9	\$ 120.3	\$ (161.4)	\$ 319.1
Other (income) expense	53.7	54.0	164.1	161.0
Provision (benefit) for income taxes	(6.7)	18.2	(226.1)	41.2
Loss from discontinued operations, net of income taxes	—	(0.4)	(0.2)	(2.3)
Net income (loss)	\$ 25.9	\$ 47.7	\$ (99.6)	\$ 114.6

Note 4. Partially-Owned Leasing Subsidiaries

Through our wholly-owned subsidiary, TILC, we formed two subsidiaries, TRIP Holdings and RIV 2013, for the purpose of providing railcar leasing services in North America for institutional investors. Each of TRIP Holdings and RIV 2013 are direct, partially-owned subsidiaries of TILC in which we have a controlling interest. Each is governed by a seven-member board of representatives, two of whom are designated by TILC. TILC is the agent of each of TRIP Holdings and RIV 2013 and, as such, has been delegated the authority, power, and discretion to take certain actions on behalf of the respective companies.

At September 30, 2020, the carrying value of our investment in TRIP Holdings and RIV 2013 totaled \$145.4 million. Our weighted average ownership interest in TRIP Holdings and RIV 2013 is 38% while the remaining 62% weighted average interest is owned by third-party, investor-owned funds. The investment in our partially-owned leasing subsidiaries is eliminated in consolidation.

Each of TRIP Holdings and RIV 2013 has wholly-owned subsidiaries that are the owners of railcars acquired from our Rail Products and Leasing Groups. These wholly-owned subsidiaries are TRIP Rail Master Funding LLC ("TRIP Master Funding", wholly-owned by TRIP Holdings) and Trinity Rail Leasing 2012 LLC ("TRL-2012", wholly-owned by RIV 2013). Railcar purchases by these subsidiaries were funded by secured borrowings and capital contributions from TILC and third-party equity investors. TILC is the contractual servicer for TRIP Master Funding and TRL-2012, with the authority to manage and service each entity's owned railcars. Our controlling interest in each of TRIP Holdings and RIV 2013 results from our combined role as both equity member and agent/servicer. The noncontrolling interest included in the accompanying Consolidated Balance Sheets represents the non-Trinity equity interest in these partially-owned subsidiaries.

Trinity has no obligation to guarantee performance under any of our partially-owned subsidiaries' (or their respective subsidiaries') debt agreements, guarantee any railcar residual values, shield any parties from losses or guarantee minimum yields.

The assets of each of TRIP Master Funding and TRL-2012 may only be used to satisfy the particular subsidiary's liabilities, and the creditors of each of TRIP Master Funding and TRL-2012 have recourse only to the particular subsidiary's assets. Each of TILC and the third-party equity investors receive distributions from TRIP Holdings and RIV 2013, when available, in proportion to its respective equity interests, and has an interest in the net assets of the partially-owned subsidiaries upon a liquidation event in the same proportion. TILC is paid fees for the services it provides to TRIP Master Funding and TRL-2012 and has the potential to earn certain incentive fees. TILC and the third-party equity investors have commitments to provide additional equity funding to TRIP Holdings that are scheduled to expire in May 2021, contingent upon certain returns on investment in TRIP Holdings and other conditions being met. There are no remaining equity commitments with respect to RIV 2013.

See Note 7 regarding the debt of TRIP Holdings and RIV 2013 and their respective subsidiaries. See Note 10 for further information regarding impairment of long-lived assets related to our small cube covered hopper railcars recorded in the nine months ended September 30, 2020.

Note 5. Railcar Leasing and Management Services Group

The Railcar Leasing and Management Services Group owns and operates a fleet of railcars as well as provides third-party fleet leasing, management, and administrative services. Selected consolidated financial information for the Leasing Group is as follows:

September 30, 2020					
	Wholly-Owned Subsidiaries	Partially-Owned Subsidiaries	Total Leasing Group	Eliminations — Lease Subsidiary ⁽¹⁾	Adjusted Total Leasing Group
(in millions)					
Cash and cash equivalents	\$ 2.5	\$ —	\$ 2.5	\$ —	\$ 2.5
Accounts receivable	81.3	9.2	90.5	—	90.5
Property, plant, and equipment, net ⁽²⁾	5,692.5	1,637.8	7,330.3	(826.8)	6,503.5
Restricted cash	73.0	28.1	101.1	—	101.1
Other assets	38.1	1.2	39.3	—	39.3
Total assets	<u>\$ 5,887.4</u>	<u>\$ 1,676.3</u>	<u>\$ 7,563.7</u>	<u>\$ (826.8)</u>	<u>\$ 6,736.9</u>
Accounts payable and accrued liabilities	\$ 148.6	\$ 30.4	\$ 179.0	\$ —	\$ 179.0
Debt, net	3,172.7	1,239.3	4,412.0	—	4,412.0
Deferred income taxes	925.3	1.2	926.5	(193.8)	732.7
Other liabilities	26.9	—	26.9	—	26.9
Total liabilities	4,273.5	1,270.9	5,544.4	(193.8)	5,350.6
Noncontrolling interest	—	276.3	276.3	—	276.3
Total Equity	\$ 1,613.9	\$ 129.1	\$ 1,743.0	\$ (633.0)	\$ 1,110.0

December 31, 2019					
	Wholly-Owned Subsidiaries	Partially-Owned Subsidiaries	Total Leasing Group	Eliminations — Lease Subsidiary ⁽¹⁾	Adjusted Total Leasing Group
(in millions)					
Cash and cash equivalents	\$ 1.8	\$ —	\$ 1.8	\$ —	\$ 1.8
Accounts receivable	73.9	8.7	82.6	—	82.6
Property, plant, and equipment, net	5,818.9	1,786.7	7,605.6	(903.8)	6,701.8
Restricted cash	78.4	33.0	111.4	—	111.4
Other assets	209.8	1.4	211.2	—	211.2
Total assets	<u>\$ 6,182.8</u>	<u>\$ 1,829.8</u>	<u>\$ 8,012.6</u>	<u>\$ (903.8)</u>	<u>\$ 7,108.8</u>
Accounts payable and accrued liabilities	\$ 100.7	\$ 44.6	\$ 145.3	\$ —	\$ 145.3
Debt, net	3,080.7	1,278.4	4,359.1	—	4,359.1
Deferred income taxes	861.7	1.1	862.8	(184.8)	678.0
Other liabilities	32.7	—	32.7	—	32.7
Total liabilities	4,075.8	1,324.1	5,399.9	(184.8)	5,215.1
Noncontrolling interest	—	348.8	348.8	—	348.8
Total Equity	\$ 2,107.0	\$ 156.9	\$ 2,263.9	\$ (719.0)	\$ 1,544.9

⁽¹⁾ Net deferred profit on railcars sold to the Leasing Group consists of intersegment profit that is eliminated in consolidation. Net deferred profit and the related deferred tax impact are included as adjustments to the property, plant, and equipment, net and deferred income taxes line items, respectively, in the Eliminations — Lease Subsidiary column above to reflect the net book value of the railcars purchased by the Leasing Group from the Rail Products Group based on manufacturing cost. See Note 4 and Note 7 for a further discussion regarding our investment in our partially-owned leasing subsidiaries and the related indebtedness.

⁽²⁾ See Note 10 for further information regarding impairment of long-lived assets recorded in the nine months ended September 30, 2020.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Percent	2020	2019	Percent
	(\$ in millions)		Change	(\$ in millions)		Change
Revenues:						
Leasing and management	\$ 183.9	\$ 190.1	(3.3)%	\$ 558.6	\$ 566.6	(1.4)%
Sales of railcars owned one year or less at the time of sale ⁽¹⁾	—	136.3	(100.0)%	54.4	237.3	(77.1)%
Total revenues	\$ 183.9	\$ 326.4	(43.7)%	\$ 613.0	\$ 803.9	(23.7)%
Operating profit ⁽²⁾ :						
Leasing and management	\$ 86.8	\$ 79.8	8.8 %	\$ 247.8	\$ 234.6	5.6 %
Railcar sales:						
Railcars owned one year or less at the time of sale	—	17.8	(100.0)%	0.4	27.0	(98.5)%
Railcars owned more than one year at the time of sale	2.9	18.1	(84.0)%	17.3	44.7	(61.3)%
Total operating profit	\$ 89.7	\$ 115.7	(22.5)%	\$ 265.5	\$ 306.3	(13.3)%
Total operating profit margin	48.8 %	35.4 %		43.3 %	38.1 %	
Leasing and management operating profit margin	47.2 %	42.0 %		44.4 %	41.4 %	
Selected expense information:						
Depreciation ⁽³⁾⁽⁴⁾	\$ 51.5	\$ 59.4	(13.3)%	\$ 159.1	\$ 171.6	(7.3)%
Maintenance and compliance	\$ 18.5	\$ 24.9	(25.7)%	\$ 67.4	\$ 79.2	(14.9)%
Rent	\$ 2.1	\$ 3.8	(44.7)%	\$ 8.1	\$ 13.6	(40.4)%
Selling, engineering, and administrative expenses	\$ 11.7	\$ 10.7	9.3 %	\$ 39.0	\$ 36.2	7.7 %
Interest	\$ 47.0	\$ 50.0	(6.0)%	\$ 149.2	\$ 146.4	1.9 %

(1) Includes revenues associated with sales-type leases of \$26.3 million and \$60.5 million for the three and nine months ended September 30, 2019, respectively.

(2) Operating profit includes: depreciation; maintenance and compliance; rent; and selling, engineering, and administrative expenses. Amortization of deferred profit on railcars sold from the Rail Products Group to the Leasing Group is included in the operating profit of the Leasing Group, resulting in the recognition of depreciation expense based on our original manufacturing cost of the railcars. Interest expense is not a component of operating profit and includes the effect of hedges.

(3) Effective January 1, 2020, we revised the estimated useful lives and salvage values of certain railcar types in our lease fleet. This change in estimate resulted in a decrease in depreciation expense in the three and nine months ended September 30, 2020 of approximately \$7.7 million and \$23.1 million, respectively. This decrease was partially offset by higher depreciation associated with growth in the lease fleet. See Note 1 of the Consolidated Financial Statements for further information.

(4) As a result of the impairment of long-lived assets related to our small cube covered hopper railcars recorded in the second quarter of 2020, our quarterly depreciation expense beginning in the third quarter of 2020 has decreased by approximately \$3.5 million.

During the three and nine months ended September 30, 2020 and 2019, information related to the sales of leased railcars is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
(in millions)				
Sales of leased railcars:				
Railcars owned one year or less at the time of sale ⁽¹⁾	\$ —	\$ 136.3	\$ 54.4	\$ 237.3
Railcars owned more than one year at the time of sale	6.5	75.1	138.7	175.0
	<u>\$ 6.5</u>	<u>\$ 211.4</u>	<u>\$ 193.1</u>	<u>\$ 412.3</u>
Operating profit on sales of leased railcars:				
Railcars owned one year or less at the time of sale	\$ —	\$ 17.8	\$ 0.4	\$ 27.0
Railcars owned more than one year at the time of sale	2.9	18.1	17.3	44.7
	<u>\$ 2.9</u>	<u>\$ 35.9</u>	<u>\$ 17.7</u>	<u>\$ 71.7</u>
Operating profit margin on sales of leased railcars:				
Railcars owned one year or less at the time of sale	— %	13.1 %	0.7 %	11.4 %
Railcars owned more than one year at the time of sale	44.6 %	24.1 %	12.5 %	25.5 %
Weighted average operating profit margin on sales of leased railcars	44.6 %	17.0 %	9.2 %	17.4 %

(1) Includes revenues associated with sales-type leases of \$26.3 million and \$60.5 million for the three and nine months ended September 30, 2019, respectively.

Railcar Leasing Equipment Portfolio. The Leasing Group's equipment consists primarily of railcars leased by third parties. The Leasing Group purchases equipment manufactured predominantly by the Rail Products Group and enters into lease contracts with third parties with terms generally ranging between one year and ten years, although certain leases entered into in prior periods had lease terms of up to twenty years. The Leasing Group primarily enters into operating leases. Future contractual minimum rental revenues on operating leases related to our wholly-owned and partially-owned subsidiaries are as follows:

	Remaining three months of 2020	2021	2022	2023	2024	Thereafter	Total
(in millions)							
Future contractual minimum rental revenues	\$ 150.3	\$ 511.2	\$ 402.8	\$ 295.2	\$ 214.5	\$ 391.5	\$ 1,965.5

Debt. Wholly-owned subsidiaries. The Leasing Group's debt at September 30, 2020 consisted primarily of non-recourse debt. As of September 30, 2020, Trinity's wholly-owned subsidiaries included in the Leasing Group held equipment with a net book value of \$4,249.1 million, which is pledged solely as collateral for Leasing Group debt held by those subsidiaries. The net book value of unpledged equipment at September 30, 2020 was \$1,431.3 million. See Note 7 for more information regarding the Leasing Group debt.

Partially-owned subsidiaries. Debt owed by TRIP Holdings and RIV 2013 and their respective subsidiaries is nonrecourse to Trinity and TILC. Creditors of each of TRIP Holdings and RIV 2013 and their respective subsidiaries have recourse only to the particular subsidiary's assets. TRIP Master Funding equipment with a net book value of \$1,159.5 million is pledged solely as collateral for the TRIP Master Funding debt. TRL-2012 equipment with a net book value of \$478.3 million is pledged solely as collateral for the TRL-2012 secured railcar equipment notes. See Note 4 for a description of TRIP Holdings and RIV 2013.

Operating Lease Obligations. Future amounts due as well as future contractual minimum rental revenues related to the Leasing Group's railcar operating lease obligations are as follows:

	Remaining three months of 2020	2021	2022	2023	2024	Thereafter	Total
	(in millions)						
Future operating lease obligations	\$ 2.1	\$ 8.2	\$ 7.5	\$ 5.7	\$ 2.5	\$ 0.9	\$ 26.9
Future contractual minimum rental revenues	\$ 1.7	\$ 5.3	\$ 3.7	\$ 1.7	\$ 0.7	\$ 0.1	\$ 13.2

Operating lease obligations totaling \$2.1 million are guaranteed by Trinity Industries, Inc. and certain subsidiaries. The Leasing Group also has future amounts due for operating lease obligations related to office space of approximately \$2.1 million, which is excluded from the table above.

Note 6. Property, Plant, and Equipment

The following table summarizes the components of property, plant, and equipment:

	September 30, 2020	December 31, 2019
	(in millions)	
Manufacturing/Corporate:		
Land	\$ 28.6	\$ 28.4
Buildings and improvements	416.2	402.2
Machinery and other	556.3	546.7
Construction in progress	88.4	63.1
	1,089.5	1,040.4
Less: accumulated depreciation	(655.1)	(631.6)
	434.4	408.8
Leasing:		
Wholly-owned subsidiaries:		
Machinery and other	13.9	13.7
Equipment on lease	6,868.7	6,944.2
	6,882.6	6,957.9
Less: accumulated depreciation	(1,190.1)	(1,139.0)
	5,692.5	5,818.9
Partially-owned subsidiaries:		
Equipment on lease	2,245.6	2,410.0
Less: accumulated depreciation	(607.8)	(623.3)
	1,637.8	1,786.7
Deferred profit on railcars sold to the Leasing Group	(1,063.8)	(1,135.8)
Less: accumulated amortization	237.0	232.0
	(826.8)	(903.8)
	\$ 6,937.9	\$ 7,110.6

In early 2020, we finalized an assessment of the estimated useful lives and salvage value assumptions for the railcars in our lease fleet. This resulted in a revision to the useful lives and salvage values of certain railcar types in our lease fleet. See Note 1 for further information.

See Note 10 for further information regarding impairment of long-lived assets recorded in the nine months ended September 30, 2020.

Note 7. Debt

The carrying amounts of our long-term debt are as follows:

	September 30, 2020	December 31, 2019
	(in millions)	
Corporate – Recourse:		
Revolving credit facility	\$ 125.0	\$ 125.0
Senior notes, net of unamortized discount of \$0.2 and \$0.2	399.8	399.8
	524.8	524.8
Less: unamortized debt issuance costs	(1.7)	(2.0)
Total recourse debt	523.1	522.8
Leasing – Non-recourse:		
Wholly-owned subsidiaries:		
Secured railcar equipment notes, net of unamortized discount of \$1.1 and \$2.0	1,948.8	2,124.1
2017 promissory notes, net of unamortized discount of \$10.7 and \$—	813.7	627.1
TILC warehouse facility	430.5	353.4
	3,193.0	3,104.6
Less: unamortized debt issuance costs	(20.3)	(23.9)
	3,172.7	3,080.7
Partially-owned subsidiaries:		
Secured railcar equipment notes	1,248.9	1,289.3
Less: unamortized debt issuance costs	(9.6)	(10.9)
	1,239.3	1,278.4
Total non-recourse debt	4,412.0	4,359.1
Total debt	\$ 4,935.1	\$ 4,881.9

Estimated Fair Value of Debt — The estimated fair value of our 4.55% senior notes due 2024 ("Senior Notes") is based on a quoted market price in a market with little activity (Level 2 input). The estimated fair values of our secured railcar equipment notes are based on our estimate of their fair value using unobservable input values provided by a third party (Level 3 inputs). The respective carrying values of our revolving credit facility, TILC warehouse facility, and 2017 promissory notes approximate fair value because the interest rate adjusts to the market interest rate. The estimated fair values of our long-term debt are as follows:

	September 30, 2020	December 31, 2019
	(in millions)	
Level 1	\$ 1,369.2	\$ 1,105.5
Level 2	407.4	411.7
Level 3	3,384.7	3,547.4
	\$ 5,161.3	\$ 5,064.6

Revolving Credit Facility — We have a \$450.0 million unsecured corporate revolving credit facility. During the nine months ended September 30, 2020, we had total borrowings of \$455.0 million and total repayments of \$455.0 million under the revolving credit facility. Additionally, we had outstanding letters of credit issued in an aggregate principal amount of \$35.2 million. Of the \$289.8 million remaining unused amount, \$278.7 million is available for borrowing as of September 30, 2020. The outstanding letters of credit as of September 30, 2020 are scheduled to expire in July 2021. The revolving credit facility bears interest at a variable rate which resulted in an interest rate of LIBOR plus 1.50%, with a LIBOR floor of 0.30%, as of September 30, 2020. A commitment fee accrues on the average daily unused portion of the revolving facility at the rate of 0.175% to 0.30% (0.20% as of September 30, 2020).

The revolving credit facility requires the maintenance of ratios related to minimum interest coverage for the leasing and manufacturing operations and maximum leverage. In July 2020, we amended our revolving credit facility to increase the maximum leverage ratio to provide additional near-term flexibility through December 31, 2021. As of September 30, 2020, we were in compliance with all such financial covenants.

TILC Warehouse Loan Facility — TILC has a \$750.0 million warehouse loan facility, which was established to finance railcars owned by TILC. During the nine months ended September 30, 2020, we had total borrowings of \$168.5 million and total repayments of \$91.4 million under the TILC warehouse loan facility. The entire unused facility amount of \$319.5 million was available as of September 30, 2020 based on the amount of warehouse-eligible, unpledged equipment. Advances under the facility bear interest at a defined index rate plus a margin, for an all-in interest rate of 1.76% at September 30, 2020.

Early Redemption of TRL V — In March 2020, Trinity Rail Leasing V, L.P., a limited partnership ("TRL V") and a limited purpose, indirect wholly-owned subsidiary of the Company owned through TILC, redeemed its 2006 Secured Railcar Equipment Notes due May 2036, of which \$104.7 million was outstanding at the redemption date. The fixed interest rate for these notes was at 5.90% per annum. In connection with the early redemption, we recognized a loss on extinguishment of debt of \$5.0 million, which included a \$4.7 million early redemption premium and \$0.3 million in unamortized debt issuance costs. The loss on extinguishment of debt is included in interest expense in our Consolidated Statement of Operations.

TRL-2017 — In July 2020, Trinity Rail Leasing 2017 LLC ("TRL-2017"), a wholly-owned subsidiary of the Company, issued an additional \$225.0 million of promissory notes pursuant to a provision contained in its existing Amended and Restated Loan Agreement dated November 8, 2018 (together with previously-issued promissory notes, the "2017 Promissory Notes"). The 2017 Promissory Notes bear interest at a rate of LIBOR plus 1.50%, payable monthly. The 2017 Promissory Notes are obligations of TRL-2017 and are non-recourse to Trinity. The 2017 Promissory Notes are secured by a portfolio of railcars and operating leases thereon, certain cash reserves, and other assets acquired and owned by TRL-2017. Net proceeds received from the transaction were used to repay approximately \$48.3 million of borrowings under TILC's secured warehouse credit facility, and the remaining proceeds were used to repay borrowings under the Company's revolving credit facility, and for general corporate purposes.

Subsequent Event — In October 2020, Trinity Rail Leasing 2018 LLC ("TRL-2018"), a wholly-owned subsidiary of the Company, issued \$155.5 million of Series 2020-1 Class A Secured Railcar Equipment Notes (the "2020-1 Notes") under an existing indenture. The 2020-1 Notes bear interest at a fixed rate of 1.96% per annum and have a stated final maturity date of 2050. In a separate transaction during October 2020, TRL-2018 redeemed its Series 2018-1 Class A-1 Secured Railcar Equipment Notes, of which \$153.1 million was outstanding at the redemption date. The fixed interest rate for these notes was 3.82% per annum.

Terms and conditions of our long-term debt, including recourse and non-recourse provisions and scheduled maturities, are described in Note 8 of our 2019 Annual Report on Form 10-K.

Note 8. Income Taxes

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted. The CARES Act is a stimulus package that is a part of a series of bills meant to address the economic uncertainties associated with COVID-19. Due to the enactment of the CARES Act, Trinity filed a carryback claim for the 2018 and 2019 tax losses to the 2013-2015 tax years, allowing us to recover taxes that were previously paid. The income taxes associated with the carryback claims were paid at a federal rate of 35.0%, rather than the current rate of 21.0% in effect beginning with the 2018 tax year. The net deferred tax liability was remeasured and a federal income tax receivable was set up to account for the net operating losses permitted to be carried back under the CARES Act, resulting in a tax benefit of \$174.6 million for the nine months ended September 30, 2020.

The effective tax rates for the three and nine months ended September 30, 2020 were a benefit of 34.9% and a benefit of 69.5%, respectively, which differ from the U.S. statutory rate of 21.0% primarily due to the impact of the CARES Act. The effective tax benefit rate for the nine months ended September 30, 2020 was partially offset by the portion of the non-cash impairment charge that is not tax-effected because it is related to the noncontrolling interest. Our effective tax expense rates for the three and nine months ended September 30, 2019 were 27.5% and 26.1%, respectively. These differ from the U.S. statutory rate primarily due to the impacts of state income taxes, the incremental tax on profits of branches taxed in both U.S. and foreign jurisdictions, tax return true-ups, the establishment of nexus in additional states, and non-deductible executive compensation.

Income tax refunds received, net of payments, during the nine months ended September 30, 2020 totaled \$1.3 million. The total income tax receivable position as of September 30, 2020 was \$485.0 million, of which approximately \$307.1 million relates to the 2018 and 2019 carryback claims and approximately \$169.7 million accrued to date for the 2020 anticipated carryback claim, which we expect will be realized in 2021.

Our 2016 and 2017 tax years are effectively settled. The 2013-2015 tax years statutes will remain open due to tax loss carryback claims that have been filed. We have state tax returns that are under audit in the normal course of business, and our Mexican subsidiaries' tax return statutes remain open from 2014 forward. We believe we are appropriately reserved for any potential matters.

Note 9. Employee Retirement Plans

The following table summarizes the components of our net retirement cost:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in millions)			
Expense Components				
Service cost	\$ —	\$ —	\$ —	\$ 0.1
Interest	3.8	5.0	11.2	14.8
Expected return on plan assets	(5.3)	(5.8)	(15.7)	(17.3)
Amortization of actuarial loss	1.5	1.2	4.5	3.4
Amortization of prior service cost	0.3	—	0.9	—
Net periodic benefit cost	0.3	0.4	0.9	1.0
Profit sharing	1.9	3.1	6.5	8.3
Net expense	\$ 2.2	\$ 3.5	\$ 7.4	\$ 9.3

We had no contributions to our defined benefit pension plans for all periods presented, and we do not anticipate any contributions in 2020. The non-service cost components of net periodic benefit cost in the table above are included in other, net (income) expense in our Consolidated Statements of Operations.

Planned Pension Plan Termination

On September 4, 2019, our Board of Directors approved the termination of the Trinity Industries, Inc. Consolidated Pension Plan (the "Pension Plan"), effective December 31, 2019. Except for retirees currently receiving payments under the Pension Plan, participants will have the choice of receiving a single lump sum payment or an annuity from a highly-rated insurance company that will pay and administer future benefit payments. The Pension Plan is expected to be settled in the fourth quarter of 2020, which would then result in the Company no longer having any remaining funded pension plan obligations.

Upon settlement, we currently expect to recognize a pre-tax non-cash pension settlement charge totaling between \$145 million and \$160 million, which is inclusive of all actuarial losses currently recorded in AOCL. The settlement charge is expected to be recognized in our Statement of Operations during the fourth quarter when payments are made to those participants electing to receive a lump sum distribution and when the annuity contracts are purchased to settle all remaining outstanding pension obligations. We believe that our current pension assets will be sufficient to settle the Pension Plan liability. The actual amount of the settlement charge and any potential cash contribution or surplus will depend on interest rates, Pension Plan asset returns, the lump-sum election rate, and other factors.

Note 10. Asset Impairments and Restructuring Activities

Second Quarter Impairment of small cube covered hopper railcars

We monitor the carrying value of long-lived assets and right-of-use assets for potential impairment. The carrying value of long-lived assets and right-of-use assets is considered impaired when the asset's carrying value is not recoverable through undiscounted future cash flows and the asset's carrying value exceeds its fair value.

During the second quarter, the oil and gas proppants (or "frac sand") industry continued to experience economic pressure created by low oil prices, reduced fracking activity, and the ongoing economic impact of COVID-19. Significant price declines in the crude oil market, as well as lower demand for certain commodities, resulted in a decline in customer demand for certain types of railcars. In particular, small cube covered hopper railcars are primarily used in North America to serve the frac sand industry. In recent years, these railcars primarily transported Northern White sand from Wisconsin and other locations in the Midwest for use in fracking operations, including operations located in the Permian Basin. However, given the decline in global oil prices, reduced fracking activity, and pressure on the oil and gas industry to maintain a low cost structure, fracking operations, particularly those located in the Permian Basin, have increasingly shifted away from the use of Northern White sand and towards the use of in-basin sand, which can be sourced locally rather than transporting by rail. Consequently, the cash flows and profitability of the frac sand industry continued to decline during the second quarter. As a result, certain of the Leasing Group's small cube covered hopper customers requested rent relief and, in a number of cases, filed for bankruptcy in the second quarter.

We believe that the collective impact of these developments, including the shift towards the use of in-basin sand, constituted a fundamental and other-than-temporary change in the future demand for this railcar type. Therefore, we determined that the events and circumstances that arose during the second quarter of 2020 constituted an impairment triggering event related to the small cube covered hopper car type in our lease fleet portfolio.

We performed a cash flow recoverability test of our small cube covered hopper railcars and compared the undiscounted cash flows to the carrying value of the assets. This analysis indicated that the carrying value exceeded the estimated undiscounted cash flows, and therefore, we were required to measure the fair value of our fleet of small cube covered hopper railcars and determine the amount of an impairment loss, if any.

The fair value of the asset group was determined using an income approach, which we believe most accurately reflects a market participant's viewpoint in valuing these railcars. The results of our analysis indicated an estimated fair value of the asset group of approximately \$191.7 million, in comparison to the asset group's carrying amount of \$550.0 million, net of deferred profit. As a result, during the second quarter, we recorded a pre-tax non-cash impairment charge of \$358.3 million related to our small cube covered hopper railcars. Additionally, we evaluated the right-of-use assets associated with our leased-in portfolio of small cube covered hopper railcars and determined that these assets were impaired based on consideration of an expected decline in future cash flows over the remaining lease term, which resulted in an additional pre-tax non-cash impairment charge of approximately \$11.1 million. The aggregate impairment charge of \$369.4 million is reflected in the impairment of long-lived assets line of our Consolidated Statements of Operations for the nine months ended September 30, 2020.

Significant management judgment was used to determine the key assumptions utilized in our impairment analysis, the substantial majority of which represent unobservable (Level 3) inputs. These assumptions include, but are not limited to: estimates regarding the remaining useful life over which the railcars are expected to generate cash flows; average lease rates; railcar utilization percentages; operating expenses; and the selection of an appropriate discount rate. Management selected these estimates and assumptions based on our railcar industry expertise. We also consulted with third-party energy and frac sand industry experts to gain insights with respect to the long-term outlook for these underlying markets. Although we believe the estimates utilized in our analysis were reasonable, any change in these estimates could materially affect the amount of the impairment charge.

Restructuring activities

Throughout 2020, we have continued our efforts to better align support services with our rail-focused strategy, which has resulted in headcount reductions across multiple functions, including certain corporate and operational support functions primarily at our Dallas headquarters. Additionally, we executed a lease agreement on a new headquarters facility to better suit our new organizational structure, which prompted the need to perform a recoverability test on our existing corporate headquarters campus to evaluate for impairment. This test indicated that the carrying value was not recoverable. The fair value of our corporate headquarters campus was measured based on a third-party valuation estimate using Level 2 and Level 3 inputs in the fair value hierarchy and resulted in a non-cash impairment charge in the first quarter of \$5.2 million during the nine months ended September 30, 2020.

During the three months ended September 30, 2020, we recorded total restructuring charges of \$4.7 million, consisting of \$3.4 million for severance costs, \$0.7 million in asset write-downs associated with transportation equipment in our logistics operations, and \$0.6 million of contract termination costs.

During the nine months ended September 30, 2020, we recorded total restructuring charges of \$10.5 million, consisting of \$7.5 million for severance costs, \$5.9 million of non-cash charges primarily from the write-down of our corporate headquarters campus described above and certain other assets, and \$0.6 million in contract termination costs, partially offset by a \$3.5 million net gain on the disposition of a non-operating facility and certain related assets.

Other restructuring actions associated with these plans are expected to be substantially completed in 2020. As we continue to reposition the organization, it is possible that we will engage in additional restructuring activities in the near term.

The following table sets forth the restructuring activity and balance of the restructuring liability, which is included in other liabilities in our Consolidated Balance Sheet:

	Accrued charges as of December 31, 2019	Charges and adjustments	Payments	Accrued charges as of September 30, 2020
	(in millions)			
Cash charges:				
Employee severance costs	\$ 3.4	\$ 7.5	\$ (8.8)	\$ 2.1
Contract termination costs	—	0.6	—	0.6
	<u>\$ 3.4</u>	<u>\$ 8.1</u>	<u>\$ (8.8)</u>	<u>\$ 2.7</u>
Asset impairment charges:				
Write-down of assets		\$ 5.9		
Gain on disposition of assets		(3.5)		
		<u>\$ 2.4</u>		
Total restructuring activities		<u>\$ 10.5</u>		

Although restructuring activities are not allocated to our reportable segments, the following table summarizes the restructuring activities by reportable segment:

	Three Months Ended September 30, 2020			
	Employee Severance Costs	Contract Termination Costs	Write-down of Assets	Total
	(in millions)			
Railcar Leasing and Management Services Group	\$ 1.4	\$ —	\$ —	\$ 1.4
Rail Products Group	1.3	0.2	0.7	2.2
All Other	0.1	—	—	0.1
Corporate	0.6	0.4	—	1.0
Total restructuring activities	<u>\$ 3.4</u>	<u>\$ 0.6</u>	<u>\$ 0.7</u>	<u>\$ 4.7</u>

	Nine Months Ended September 30, 2020				
	Employee Severance Costs	Contract Termination Costs	Gain on Disposition of Assets	Write-down of Assets	Total
	(in millions)				
Railcar Leasing and Management Services Group	\$ 1.4	\$ —	\$ —	\$ —	\$ 1.4
Rail Products Group	3.9	0.2	—	0.7	4.8
All Other	0.2	—	(3.5)	—	(3.3)
Corporate	2.0	0.4	—	5.2	7.6
Total restructuring activities	<u>\$ 7.5</u>	<u>\$ 0.6</u>	<u>\$ (3.5)</u>	<u>\$ 5.9</u>	<u>\$ 10.5</u>

Note 11. Accumulated Other Comprehensive Loss

Changes in AOCL for the nine months ended September 30, 2020 are as follows:

	Currency translation adjustments	Unrealized gain/(loss) on derivative financial instruments	Net actuarial gains/(losses) and prior service costs of defined benefit plans	Accumulated Other Comprehensive Loss
	(in millions)			
Balances at December 31, 2019	\$ (1.3)	\$ (17.9)	\$ (133.9)	\$ (153.1)
Other comprehensive loss, net of tax, before reclassifications	—	(25.3)	—	(25.3)
Amounts reclassified from accumulated other comprehensive loss, net of tax benefit of \$—, \$3.0, \$1.2, and \$4.2	—	10.6	4.2	14.8
Less: noncontrolling interest	—	(0.9)	—	(0.9)
Other comprehensive income (loss)	—	(15.6)	4.2	(11.4)
Balances at September 30, 2020	\$ (1.3)	\$ (33.5)	\$ (129.7)	\$ (164.5)

See Note 2 for information on the reclassification of amounts in AOCL into earnings. Reclassifications of unrealized before-tax gains and losses on derivative financial instruments are included in interest expense for our interest rate hedges and in cost of revenues for our foreign currency hedges in our Consolidated Statements of Operations. Reclassifications of before-tax net actuarial gains/(losses) and prior service costs of defined benefit plans are included in other, net (income) expense in our Consolidated Statements of Operations.

Note 12. Common Stock and Stock-Based Compensation

Stockholders' Equity

In March 2019, our Board of Directors authorized a share repurchase program effective March 7, 2019 through December 31, 2020. The share repurchase program authorized the Company to repurchase up to \$350.0 million of its common stock, not to exceed 13.7 million shares. On April 24, 2020, as a result of then-current market conditions, the Board of Directors amended the repurchase program to remove the share limitation. Share repurchase activity under this program is as follows:

Period	Shares Repurchased		Remaining Authorization to Repurchase	
	Number of shares	Cost (in millions)	Cost (in millions)	
March 7, 2019 Authorization			\$	350.0
March 7, 2019 through March 31, 2019	866,715	\$ 19.0	\$	331.0
April 1, 2019 through June 30, 2019	2,133,116	44.0	\$	287.0
July 1, 2019 through September 30, 2019	5,171,489	100.9	\$	186.1
October 1, 2019 through December 31, 2019	2,933,474	60.8	\$	125.3
January 1, 2020 through March 31, 2020	1,850,000	35.4	\$	89.9
April 1, 2020 through June 30, 2020	—	—	\$	89.9
July 1, 2020 through September 30, 2020	4,466,896	89.9	\$	—
Total	17,421,690	\$ 350.0		

In the third quarter of 2020, we completed the existing share repurchase program. Certain shares of stock repurchased during September 2020, totaling \$4.9 million, were cash settled in October 2020 in accordance with normal settlement practices. In addition to the amounts reported in the table above, share repurchases for the nine months ended September 30, 2019 included 2.6 million shares at a cost of approximately \$70.0 million representing the final settlement of an accelerated share repurchase program, which was funded in November 2018 but a portion of which remained outstanding as of December 31, 2018.

Subsequent event — In October 2020, our Board of Directors authorized a new share repurchase program effective October 23, 2020 through December 31, 2021. The new share repurchase program authorizes the Company to repurchase up to \$250.0 million of its common stock.

Stock-Based Compensation

Stock-based compensation totaled approximately \$4.8 million and \$19.7 million for the three and nine months ended September 30, 2020, respectively. Stock-based compensation totaled approximately \$8.4 million and \$21.4 million for the three and nine months ended September 30, 2019, respectively. The Company's annual grant of share-based awards generally occurs in the second quarter under our 2004 Fourth Amended and Restated Stock Option and Incentive Plan (the "Plan"). Our stock options have contractual terms of ten years. Expense related to stock options issued to eligible employees under the Plan is recognized over their vesting period on a straight-line basis, generally three years. Expense related to restricted stock units ("RSUs") issued to eligible employees under the Plan is recognized ratably over the vesting period, generally between three years and four years. Certain RSU grants made in 2020 provide for full vesting when the award recipients reach 60 years of age and have provided at least 10 years of service to the Company, provided that the awards remain outstanding for a period of six months from the date of grant. The expense for these awards is recognized over the applicable service period for each of the eligible award recipients. Expense related to performance units is recognized ratably from their award date to the end of the performance period, generally three years. Expense related to restricted stock awards ("RSAs") and RSUs granted to non-employee directors under the Plan is recognized ratably over the vesting period, generally one year.

The following table summarizes stock-based compensation awards granted during the nine months ended September 30, 2020:

	Number of Shares Granted	Weighted Average Grant- Date Fair Value per Award
Stock options	300,000	\$ 5.26
Restricted stock units	988,309	\$ 18.59
Restricted stock awards	20,939	\$ 18.51
Performance units	444,252	\$ 20.31

The fair value of the stock options granted was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Nine Months Ended September 30, 2020
Exercise price	\$ 21.61
Risk-free interest rate	1.48 %
Expected life (in years)	6.50
Equity volatility	35.00 %
Dividend yield	3.42 %

Note 13. Earnings Per Common Share

Basic net income attributable to Trinity Industries, Inc. per common share ("EPS") is computed by dividing net income attributable to Trinity remaining after allocation to unvested restricted shares by the weighted average number of basic common shares outstanding for the period. Except when the effect would be antidilutive, the calculation of diluted EPS includes the net impact of unvested RSAs and RSUs. Total weighted average restricted shares were 4.2 million and 4.7 million shares for the three and nine months ended September 30, 2020, respectively. Approximately 0.3 million restricted shares and 0.3 million stock options were excluded from the EPS calculation for the three months ended September 30, 2020, as their effect would have been antidilutive. There were no restricted shares and stock options included in the computation of diluted earnings per common share for the nine months ended September 30, 2020 as we incurred a loss for the period, and any effect on loss per common share would have been antidilutive. Total weighted average restricted shares were 5.5 million shares for the three and nine months ended September 30, 2019. Approximately 1.2 million and 0.2 million of these restricted shares were excluded from the EPS calculation for the three and nine months ended September 30, 2019, respectively, as their effect would have been antidilutive.

The computation of basic and diluted net income attributable to Trinity Industries, Inc. is as follows.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
(in millions, except per share amounts)				
Income (loss) from continuing operations	\$ 25.9	\$ 48.1	\$ (99.4)	\$ 116.9
Less: Net (income) loss attributable to noncontrolling interest	(0.8)	1.3	79.5	1.4
Unvested restricted share participation — continuing operations	(0.2)	(0.6)	—	(1.6)
Net income (loss) from continuing operations attributable to Trinity Industries, Inc.	24.9	48.8	(19.9)	116.7
Net loss from discontinued operations, net of income taxes	—	(0.4)	(0.2)	(2.3)
Unvested restricted share participation — discontinued operations	—	—	—	—
Net loss from discontinued operations attributable to Trinity Industries, Inc.	—	(0.4)	(0.2)	(2.3)
Net income (loss) attributable to Trinity Industries, Inc., including the effect of unvested restricted share participation	\$ 24.9	\$ 48.4	\$ (20.1)	\$ 114.4
Basic weighted average shares outstanding	116.4	124.7	117.2	127.6
Effect of dilutive securities:				
Nonparticipating unvested RSUs and RSAs	0.6	1.3	—	1.6
Diluted weighted average shares outstanding	117.0	126.0	117.2	129.2
Basic earnings per common share:				
Income (loss) from continuing operations	\$ 0.21	\$ 0.39	\$ (0.17)	\$ 0.91
Income (loss) from discontinued operations	—	—	—	(0.02)
Basic net income (loss) attributable to Trinity Industries, Inc.	\$ 0.21	\$ 0.39	\$ (0.17)	\$ 0.89
Diluted earnings per common share:				
Income (loss) from continuing operations	\$ 0.21	\$ 0.39	\$ (0.17)	\$ 0.90
Income (loss) from discontinued operations	—	—	—	(0.02)
Diluted net income (loss) attributable to Trinity Industries, Inc.	\$ 0.21	\$ 0.39	\$ (0.17)	\$ 0.88

Note 14. Contingencies

Highway products litigation

We previously reported the filing of a False Claims Act ("FCA") complaint in the United States District Court for the Eastern District of Texas, Marshall Division ("District Court") styled Joshua Harman, on behalf of the United States of America, Plaintiff/Relator v. Trinity Industries, Inc., Defendant, Case No. 2:12-cv-00089-JRG (E.D. Tex.). In this case, in which the U.S. Government declined to intervene, the relator, Mr. Joshua Harman, alleged the Company violated the FCA pertaining to sales of the Company's ET-Plus® System, a highway guardrail end-terminal system ("ET Plus"). On October 20, 2014, a trial in this case concluded with a jury verdict stating that the Company and its subsidiary, Trinity Highway Products, LLC ("Trinity Highway Products"), "knowingly made, used or caused to be made or used, a false record or statement material to a false or fraudulent claim," and the District Court entered judgment on the verdict in the total amount of \$682.4 million.

On September 29, 2017, the United States Court of Appeals for the Fifth Circuit ("Fifth Circuit") reversed the District Court's \$682.4 million judgment and rendered judgment as a matter of law in favor of the Company and Trinity Highway Products. On January 7, 2019, the United States Supreme Court denied Mr. Harman's petition for certiorari seeking review of the Fifth Circuit's decision. The denial of Mr. Harman's petition ended this action.

State, county, and municipal actions

Mr. Harman also has separate state qui tam actions currently pending pursuant to: the Virginia Fraud Against Taxpayers Act (Commonwealth of Virginia ex rel. Joshua M. Harman v. Trinity Industries, Inc. and Trinity Highway Products, LLC, Case No. CL13-698, in the Circuit Court, Richmond, Virginia); the Massachusetts False Claims Act (Commonwealth of Massachusetts ex rel. Joshua M. Harman Qui Tam v. Trinity Industries, Inc. and Trinity Highway Products, LLC, Case No. 1484-CV-02364, in the Superior Court Department of the Trial Court); and the California False Claims Act (State of California ex rel. Joshua M. Harman Qui Tam v. Trinity Industries, Inc. and Trinity Highway Products, LLC, Case No. RG 14721864, in the Superior Court of California, Alameda County). In each of these cases, Mr. Harman alleged the Company violated the respective states' false claims act pertaining to sales of the ET Plus, and he is seeking damages, civil penalties, attorneys' fees, costs and interest. Also, the respective states' Attorneys General filed Notices of Election to Decline Intervention in all of these matters, with the exception of the Commonwealth of Virginia Attorney General, who intervened in the Virginia matter. Following the United States Supreme Court's denial of Mr. Harman's petition for certiorari, the stays have expired or been lifted by court order in all of the above-referenced state qui tam cases except Virginia.

The Company believes these state qui tam lawsuits are without merit and intends to vigorously defend all allegations. Other states could take similar or different actions, and could be considering similar state false claims or other litigation against the Company.

As previously reported, state qui tam actions filed by Mr. Harman in the states of Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Minnesota, Montana, Nevada, Rhode Island, Tennessee, and New Jersey were dismissed.

The Company has been served in a lawsuit filed November 5, 2015, titled Jackson County, Missouri, individually and on behalf of a class of others similarly situated vs. Trinity Industries, Inc. and Trinity Highway Products, LLC, Case No. 1516-CV23684 (Circuit Court of Jackson County, Missouri). The case is being brought by plaintiff for and on behalf of itself and all Missouri counties with a population of 10,000 or more persons, including the City of St. Louis, and the State of Missouri's transportation authority. The plaintiff alleges that the Company and Trinity Highway Products did not disclose design changes to the ET Plus and these allegedly undisclosed design changes made the ET Plus allegedly defective, unsafe, and unreasonably dangerous. The plaintiff alleges product liability negligence, product liability strict liability, and negligently supplying dangerous instrumentality for supplier's business purposes. The plaintiff seeks compensatory damages, interest, attorneys' fees and costs, and in the alternative plaintiff seeks a declaratory judgment that the ET Plus is defective, the Company's conduct was unlawful, and class-wide costs and expenses associated with removing and replacing the ET Plus throughout Missouri. On December 6, 2017, the Court granted plaintiff's Motion for Class Certification, certifying a class of Missouri counties with populations of 10,000 or more persons, including the City of St. Louis and the State of Missouri's transportation authority that have or had ET Plus guardrail end terminals with 4-inch wide guide channels installed on roadways they own or maintain. A trial date has been scheduled in this case for February 22, 2021.

The Company believes this lawsuit is without merit and intends to vigorously defend all allegations. While the financial impacts of these state, county, and municipal actions are currently unknown, they could be material.

Based on information currently available to the Company and previously disclosed, we currently do not believe that a loss is probable in any one or more of the actions described under "State, county, and municipal actions," therefore no accrual has been included in the accompanying Consolidated Financial Statements. Because of the complexity of these actions as well as the current status of certain of these actions, we are not able to estimate a range of possible losses with respect to any one or more of these actions.

Product liability cases

The Company is currently defending product liability lawsuits in several different states that are alleged to involve the ET Plus as well as other products manufactured by Trinity Highway Products. These cases are diverse in light of the randomness of collisions in general and the fact that each accident involving a roadside device, such as an end terminal, or any other fixed object along the highway, has its own unique facts and circumstances. The Company carries general liability insurance to mitigate the impact of adverse judgment exposures in these product liability cases. To the extent that the Company believes that a loss is probable with respect to these product liability cases, the accrual for such losses is included in the amounts described below under "Other matters".

Other matters

The Company is involved in claims and lawsuits incidental to our business arising from various matters, including product warranty, personal injury, environmental issues, workplace laws, and various governmental regulations. The Company evaluates its exposure to such claims and suits periodically and establishes accruals for these contingencies when a range of loss can be reasonably estimated. The range of reasonably possible losses for such matters is \$7.9 million to \$16.8 million, which includes our rights in indemnity and recourse to third parties of approximately \$5.8 million, which is recorded in other assets on our Consolidated Balance Sheet as of September 30, 2020. This range includes any amounts related to the Highway Products litigation matters described above in the section titled "Highway products litigation." At September 30, 2020, total accruals of \$10.2 million, including environmental and workplace matters described below, are included in accrued liabilities in the accompanying Consolidated Balance Sheets. The Company believes any additional liability would not be material to its financial position or results of operations.

Trinity is subject to remedial orders and federal, state, local, and foreign laws and regulations relating to the environment and the workplace. The Company has reserved \$1.1 million to cover our probable and estimable liabilities with respect to the investigations, assessments, and remedial responses to such matters, taking into account currently available information and our contractual rights to indemnification and recourse to third parties. However, estimates of liability arising from future proceedings, assessments, or remediation are inherently imprecise. Accordingly, there can be no assurance that we will not become involved in future litigation or other proceedings involving the environment and the workplace or, if we are found to be responsible or liable in any such litigation or proceeding, that such costs would not be material to the Company. We believe that we are currently in substantial compliance with environmental and workplace laws and regulations.

Item 2. 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 management's perspective on our financial condition, results of operations, liquidity, and certain other factors that may affect our future results. Our MD&A should be read in conjunction with the unaudited Consolidated Financial Statements and related Notes in Part I, Item 1 of this Quarterly Report on Form 10-Q and Item 8, Financial Statements and Supplementary Data, of our 2019 Annual Report on Form 10-K.

This MD&A includes financial measures compiled in accordance with generally accepted accounting principles ("GAAP") and certain non-GAAP measures. Please refer to the Non-GAAP Financial Measures section herein for information on the non-GAAP measures included in the MD&A, reconciliations to the most directly comparable GAAP financial measure, and the reasons why management believes each measure is useful to management and investors.

Forward-Looking Statements

This quarterly report on Form 10-Q (or statements otherwise made by the Company or on the Company's behalf from time to time in other reports, filings with the Securities and Exchange Commission ("SEC"), news releases, conferences, website postings or otherwise) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements contained herein that are not historical facts are forward-looking statements and involve risks and uncertainties. These forward-looking statements include expectations, beliefs, plans, objectives, future financial performances, estimates, projections, goals, and forecasts. Trinity uses the words "anticipates," "believes," "estimates," "expects," "intends," "forecasts," "may," "will," "should," and similar expressions to identify these forward-looking statements. Potential factors which could cause our actual results of operations to differ materially from those in the forward-looking statements include, among others:

- market conditions and customer demand for our business products and services;
- the cyclical nature of the industries in which we compete;
- variations in weather in areas where our products are sold, used, or installed;
- naturally-occurring events, pandemics, and/or disasters causing disruption to our manufacturing, product deliveries, and production capacity, thereby giving rise to an increase in expenses, loss of revenue, and property losses;
- the impact of the coronavirus pandemic ("COVID-19") and the response thereto, on, among other things, demand for our products and services, our customers' ability to pay, disruptions to our supply chain, our liquidity and financial position, results of operations, stock price, payment of dividends, our ability to generate new railcar orders, our ability to originate and/or renew leases at favorable rates, our ability to convert backlog to revenue, and the operational status of our facilities;
- impacts from asset impairments and related charges;
- the timing of introduction of new products;
- the timing and delivery of customer orders, sales of leased railcars, or a breach of customer contracts;
- the creditworthiness of customers and their access to capital;
- product price changes;
- changes in mix of products sold;
- the costs incurred to align manufacturing capacity with demand and the extent of its utilization;
- the operating leverage and efficiencies that can be achieved by our manufacturing businesses;
- availability and costs of steel, component parts, supplies, and other raw materials;
- competition and other competitive factors;
- changing technologies;
- surcharges and other fees added to fixed pricing agreements for steel, component parts, supplies, and other raw materials;
- interest rates and capital costs;
- counter-party risks for financial instruments;
- long-term funding of our operations;
- taxes;
- the stability of the governments and political and business conditions in certain foreign countries, particularly Mexico;
- changes in import and export quotas and regulations;
- business conditions in emerging economies;
- costs and results of litigation, including trial and appellate costs;
- changes in accounting standards or inaccurate estimates or assumptions in the application of accounting policies;
- legal, regulatory, and environmental issues, including compliance of our products with mandated specifications, standards, or testing criteria and obligations to remove and replace our products following installation or to recall our products and install different products manufactured by us or our competitors;
- actions by U.S. and/or foreign governments (particularly Mexico and Canada) relative to federal government budgeting, taxation policies, government expenditures, borrowing/debt ceiling limits, tariffs, and trade policies;
- the use of social or digital media to disseminate false, misleading and/or unreliable or inaccurate information;
- the inability to sufficiently protect our intellectual property rights;
- if the Company does not realize some or all of the benefits expected to result from the spin-off of Arcosa, Inc. ("Arcosa"), a public company focused on infrastructure-related products and services, or if such benefits are delayed; and
- if the 2018 distribution of shares of Arcosa, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, the Company's stockholders at the time of the distribution and the Company could be subject to significant tax liability.

Any forward-looking statement speaks only as of the date on which such statement is made. Except as required by federal securities laws, Trinity undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made. For a discussion of risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see “Risk Factors” in our 2019 Annual Report on Form 10-K, this Form 10-Q and future Forms 10-Q and Current Reports on Forms 8-K.

Company Overview

Trinity Industries, Inc. and its consolidated subsidiaries ("Trinity," "Company," "we," "our," or "us") own businesses that are leading providers of railcar products and services in North America. Our rail-related businesses market their railcar products and services under the trade name *TrinityRail*®. The *TrinityRail* integrated platform provides railcar leasing and management services, railcar manufacturing, and railcar maintenance and modification services. We also own businesses engaged in the manufacturing of products used on the nation's roadways and in traffic control.

We report our operating results in three principal business segments: (1) the Railcar Leasing and Management Services Group (the "Leasing Group"), which owns and operates a fleet of railcars and provides third-party fleet leasing, management, and administrative services; (2) the Rail Products Group, which manufactures and sells railcars and related parts and components, and provides railcar maintenance and modification services; and (3) All Other, which includes our highway products business and legal, environmental, and maintenance costs associated with non-operating facilities. In connection with the implementation of our rail-focused strategy, in the first quarter of 2020, we realigned certain activities previously reported in the All Other segment to now be presented within the Rail Products Group. The prior period results have been recast to reflect these changes and present results on a comparable basis.

Executive Summary

Recent Market Developments

COVID-19

The COVID-19 pandemic continued to significantly impact global and North American economic conditions in the third quarter. The social and economic effects of the pandemic have been widespread and the situation continues to evolve. Federal, state and local governments continue to modify protective actions in response to evolving trends related to the spread of the disease. Authorities continue to encourage or require social distancing and wearing of masks. Although most states have reopened schools and many businesses, certain non-essential businesses remain closed, and state and local leaders continue to encourage many members of the public to work from home when possible.

During the third quarter, our senior leaders returned to the office full time, and the remainder of the Dallas-based employees began working at our headquarters facility on a rotating basis, subject to heightened safety protocols. Our manufacturing businesses within the United States continue to operate within critical infrastructure sectors as established by the Cybersecurity & Infrastructure Security Agency of the United States Department of Homeland Security, and we continue to believe that the majority of our North American customers and suppliers also operate businesses that are deemed essential. Consequently, our rail manufacturing, rail maintenance, and highway products operations in the United States have continued to operate, subject to significantly enhanced voluntary and government-mandated safety protocols designed to protect the health of our operations workforce. Our manufacturing facilities in Mexico have also continued to operate, subject to enhanced health and safety protocols. These facilities operate within critical infrastructure sectors as currently established by the Mexico Federal Ministry of Health and Federal Ministry of Communications and Transportation. Disruptions to our supply chain have been minimal, and we expect to be able to sustain the operational capacity required to achieve our manufacturing targets for the remainder of the year.

We continue to monitor the potential operational and financial impacts of the pandemic and other economic factors, and have taken appropriate measures to preserve cash and ensure sufficient liquidity. In addition to cost savings initiatives already underway, we have eliminated many non-essential expenditures and streamlined our workforce in response to current operating conditions. As described in the Liquidity and Capital Resources section below, as of September 30, 2020, we have total committed liquidity of approximately \$719 million. We believe we have sufficient liquidity and capital resources to fund our operating requirements as well as the other capital allocation and investment activities planned for 2020. We are currently, and believe we will continue to be, in compliance with any applicable debt covenants.

As previously reported, we concluded in the second quarter that the decline in leasing income for small cube covered hopper railcars will continue and recorded an impairment charge of \$369.4 million, which is included in our results for the nine months ended September 30, 2020. See Note 10 of the Consolidated Financial Statements for more information. We identified no additional permanent declines during the third quarter and, accordingly, recorded no additional impairment charges. To date, the Leasing Group has experienced an insignificant increase in lease payment delinquencies related to car types other than small cube covered hoppers and has granted limited rent payment extensions to a relatively small number of customers.

Because we have not experienced significant interruptions to our daily operations, the pandemic did not materially impact operating costs for our manufacturing businesses for the three and nine months ended September 30, 2020. However, in response to declining order volumes, we anticipate that our results of operations will remain under pressure in the near term as we adjust our future production plans.

We qualitatively assessed whether it was more likely than not that our goodwill was impaired during the third quarter and have concluded that no such impairment charges are necessary at this time. We will continue to monitor business conditions, including the impact of the pandemic, and will make appropriate adjustments to our operations and related financial projections and estimates as necessary. We can provide no assurance that we will not have additional impairment charges in future periods as a result of changes in market conditions, our operating results, changes in the assumptions utilized in our financial projections, or the financial performance of other investments in emerging technologies.

Please refer to the "Forward-Looking Statements" section above and Part II, Item 1A "Risk Factors" of this Quarterly Report on Form 10-Q for additional information regarding the potential impacts of COVID-19 on our business.

Other Cyclical and Seasonal Trends Impacting Our Business

The industries in which we operate are cyclical in nature. Weaknesses in certain sectors of the North American and global economy may make it more difficult to sell or lease certain types of railcars. Additionally, adverse changes in commodity prices, including continued depressed prices in the crude oil market, or lower demand for certain commodities, could result in a decline in customer demand for various types of railcars. As noted previously, declines in crude oil prices and production have left the frac sand industry financially vulnerable. We continuously assess demand for our products and services and take steps to rationalize and diversify our leased railcar portfolio and align our manufacturing capacity appropriately. We diligently evaluate the creditworthiness of our customers and monitor performance of relevant market sectors, including the crude oil and frac sand markets; however, additional weaknesses in any of these market sectors could affect the financial viability of our underlying Leasing Group customers, which could continue to negatively impact our recurring leasing revenues and operating profits.

Additionally, current economic conditions within the industries in which our customers operate have resulted in reduced demand for railcars. These factors, combined with declining railcar loading volumes and a growing supply of underutilized railcar assets in North America, are pressuring railcar lease rates and utilization, as well as orders for new railcar equipment. While we currently expect this trend to continue in the near term, we believe that our integrated rail platform is designed to respond to cyclical changes in demand and perform throughout the railcar cycle.

Due to their transactional nature, railcar sales from the lease fleet are the primary driver of fluctuations in results in the Leasing Group. Results in our All Other Group are affected by seasonal fluctuations, with the second and third quarters historically being the quarters with the highest revenues.

Asset Impairments and Restructuring Activities

As described above, we recorded an impairment of long-lived assets of \$369.4 million during the nine months ended September 30, 2020 related to our small cube covered hopper railcars. See Note 10 of the Consolidated Financial Statements for more information, including a description of the key assumptions and other significant management judgments utilized in the impairment analysis.

In the nine months ended September 30, 2020, and in connection with our continued assessment of future needs to support our go-forward business strategy, we recognized restructuring charges of approximately \$10.5 million, consisting of \$7.5 million for severance costs, \$5.9 million of non-cash charges primarily from the write-down of our corporate headquarters campus and certain other assets, and \$0.6 million in contract termination costs, partially offset by a \$3.5 million net gain on the disposition of a non-operating facility and certain related assets. We expect to identify additional streamlining and cost savings opportunities in the near term.

Financial and Operational Highlights

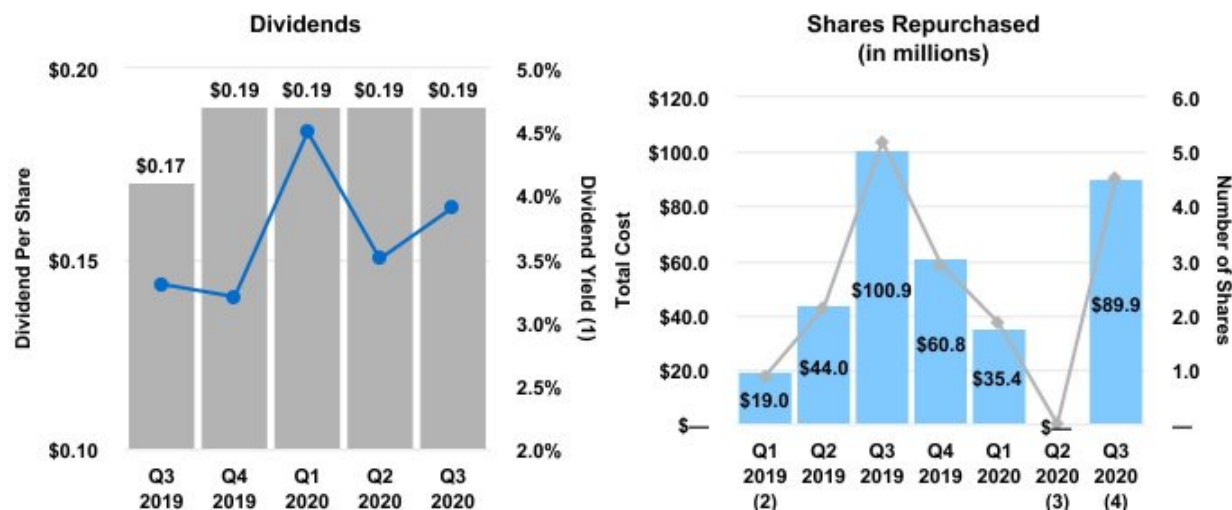
- Our revenues for the nine months ended September 30, 2020 were \$1,583.8 million, representing a decrease of 26.5%, compared to the nine months ended September 30, 2019. Our operating loss for the nine months ended September 30, 2020 was \$161.4 million compared to operating profit for the nine months ended September 30, 2019 of \$319.1 million, and includes a \$369.4 million impairment charge recorded in the second quarter of 2020 associated with our small cube covered hopper railcars.
- The Leasing Group reported additions to the wholly-owned and partially-owned lease fleet of 3,835 railcars, for a total of 105,925 railcars as of September 30, 2020, an increase of 3.8% compared to September 30, 2019.
- The Leasing Group's lease fleet of 105,925 company-owned rail cars was 94.8% utilized as of September 30, 2020, in comparison to a lease fleet utilization of 96.7% on 102,090 company-owned railcars as of September 30, 2019. Our company-owned railcars include wholly-owned, partially-owned, and railcars under sale-leaseback arrangements.
- For the nine months ended September 30, 2020, we made a net investment in our lease fleet of approximately \$310.1 million, which primarily includes new railcar additions and railcar modifications, net of deferred profit, and secondary market purchases; and is net of proceeds from the sales of leased railcars owned more than one year at the time of sale.
- The total value of the railcar backlog at September 30, 2020 was \$1.2 billion, compared to \$2.4 billion at September 30, 2019. The Rail Products Group received orders for 4,810 railcars and delivered 9,295 railcars in the nine months ended September 30, 2020, in comparison to orders for 7,635 railcars and deliveries of 15,080 railcars in the nine months ended September 30, 2019.
- For the nine months ended September 30, 2020, we generated operating cash flows and Free Cash Flow before Capital expenditures – leasing ("Free Cash Flow") of \$456.8 million and \$457.0 million⁽¹⁾, respectively, in comparison to \$166.3 million and \$217.2 million⁽¹⁾, respectively, for the nine months ended September 30, 2019.

⁽¹⁾ Non-GAAP financial measure. See the Non-GAAP Financial Measures section within this Form 10-Q for a reconciliation to the most directly comparable GAAP measure and why management believes this measure is useful to management and investors.

See "Consolidated Results of Operations" and "Segment Discussion" below for additional information regarding our operating results.

Returns of Capital to Shareholders

Returns of capital to shareholders in the form of dividends and share repurchases are summarized below:



(1) Dividend yield is calculated as dividends paid for the four previous quarters divided by the closing stock price on the last trading day of each respective quarter.

(2) Shares repurchased during Q1 2019 exclude 2.6 million shares, at a cost of approximately \$70.0 million, representing the final settlement of an accelerated share repurchase program. The shares remained outstanding as of December 31, 2018 but were funded in November 2018.

(3) There were no shares repurchased during the second quarter of 2020.

(4) In the third quarter of 2020, we completed the existing share repurchase program.

Capital Structure Updates

Early Redemption of TRL V — In March 2020, Trinity Rail Leasing V, L.P., a limited partnership ("TRL V") and a limited purpose, indirect wholly-owned subsidiary of the Company owned through TILC, redeemed its 2006 Secured Railcar Equipment Notes due May 2036, of which \$104.7 million was outstanding at the redemption date. The fixed interest rate for these notes was at 5.90% per annum. The net book value of the assets securing TRL V at the time of redemption was \$303.3 million.

TRL-2017 — In July 2020, Trinity Rail Leasing 2017 LLC ("TRL-2017"), a wholly-owned subsidiary of the Company, issued an additional \$225.0 million of promissory notes pursuant to a provision in its existing loan agreement. The promissory notes bear interest at LIBOR plus 1.50%. Net proceeds received from the transaction were used to repay borrowings under TILC's secured warehouse credit facility and under the Company's revolving credit facility, and for general corporate purposes.

See "Liquidity and Capital Resources" below for further information regarding these activities.

Litigation Updates

See Note 14 of the Consolidated Financial Statements for an update on the status of our Highway Products litigation.

Subsequent Events

TRL-2018 — In October 2020, Trinity Rail Leasing 2018 LLC ("TRL-2018"), a wholly-owned subsidiary of the Company, issued \$155.5 million of Series 2020-1 Class A Secured Railcar Equipment Notes (the "2020-1 Notes") under an existing indenture. The 2020-1 Notes bear interest at a fixed rate of 1.96% per annum and have a stated final maturity date of 2050. In a separate transaction during October 2020, TRL-2018 redeemed its Series 2018-1 Class A-1 Secured Railcar Equipment Notes, of which \$153.1 million was outstanding at the redemption date. The fixed interest rate for these notes was 3.82% per annum.

New Share Repurchase Program — In October 2020, our Board of Directors authorized a new share repurchase program effective October 23, 2020 through December 31, 2021. The new share repurchase program authorizes the Company to repurchase up to \$250.0 million of its common stock.

Consolidated Results of Operations

The following table summarizes our consolidated results of operations for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in millions)			
Revenues	\$ 459.4	\$ 813.6	\$ 1,583.8	\$ 2,154.4
Cost of revenues	334.5	649.1	1,213.1	1,691.0
Selling, engineering, and administrative expenses	51.2	62.1	172.3	191.5
Gains (losses) on dispositions of property	3.9	17.9	20.1	47.2
Impairment of long-lived assets	—	—	369.4	—
Restructuring activities, net	4.7	—	10.5	—
Total operating profit (loss)	72.9	120.3	(161.4)	319.1
Interest expense, net	51.7	54.0	163.6	160.8
Other, net	2.0	—	0.5	0.2
Income (loss) from continuing operations before income taxes	19.2	66.3	(325.5)	158.1
Provision (benefit) for income taxes	(6.7)	18.2	(226.1)	41.2
Income (loss) from continuing operations	\$ 25.9	\$ 48.1	\$ (99.4)	\$ 116.9

Revenues

The tables below present revenues by segment for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended September 30, 2020				
	Revenues				Percent Change
	External	Intersegment	Total		
	(in millions)				
Railcar Leasing and Management Services Group	\$ 183.7	\$ 0.2	\$ 183.9		(43.7) %
Rail Products Group	213.1	168.1	381.2		(48.1)
All Other	62.6	—	62.6		(11.0)
Segment Totals before Eliminations	459.4	168.3	627.7		(44.5)
Eliminations – Lease Subsidiary	—	(166.0)	(166.0)		
Eliminations – Other	—	(2.3)	(2.3)		
Consolidated Total	\$ 459.4	\$ —	\$ 459.4		(43.5)
	Three Months Ended September 30, 2019				
	Revenues				
	External	Intersegment	Total		
	(in millions)				
Railcar Leasing and Management Services Group	\$ 326.2	\$ 0.2	\$ 326.4		
Rail Products Group	418.8	316.3	735.1		
All Other	68.6	1.7	70.3		
Segment Totals before Eliminations	813.6	318.2	1,131.8		
Eliminations – Lease Subsidiary	—	(314.0)	(314.0)		
Eliminations – Other	—	(4.2)	(4.2)		
Consolidated Total	\$ 813.6	\$ —	\$ 813.6		
	Nine Months Ended September 30, 2020				
	Revenues				Percent Change
	External	Intersegment	Total		
	(in millions)				
Railcar Leasing and Management Services Group	\$ 612.4	\$ 0.6	\$ 613.0		(23.7) %
Rail Products Group	777.6	518.6	1,296.2		(37.6)
All Other	193.8	1.5	195.3		(2.5)
Segment Totals before Eliminations	1,583.8	520.7	2,104.5		(31.7)
Eliminations – Lease Subsidiary	—	(512.4)	(512.4)		
Eliminations – Other	—	(8.3)	(8.3)		
Consolidated Total	\$ 1,583.8	\$ —	\$ 1,583.8		(26.5)
	Nine Months Ended September 30, 2019				
	Revenues				
	External	Intersegment	Total		
	(in millions)				
Railcar Leasing and Management Services Group	\$ 803.3	\$ 0.6	\$ 803.9		
Rail Products Group	1,156.6	919.2	2,075.8		
All Other	194.5	5.8	200.3		
Segment Totals before Eliminations	2,154.4	925.6	3,080.0		
Eliminations – Lease Subsidiary	—	(913.0)	(913.0)		
Eliminations – Other	—	(12.6)	(12.6)		
Consolidated Total	\$ 2,154.4	\$ —	\$ 2,154.4		

Operating Costs

Operating costs are comprised of cost of revenues; selling, engineering, and administrative costs; gains or losses on property disposals; impairment of long-lived assets; and restructuring activities. Operating costs by segment for the three and nine months ended September 30, 2020 and 2019 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in millions)			
Railcar Leasing and Management Services Group	\$ 94.2	\$ 210.7	\$ 347.5	\$ 497.6
Rail Products Group	378.0	669.7	1,260.0	1,895.0
All Other	55.3	66.4	171.4	180.4
Segment Totals before Eliminations, Corporate Expenses, Impairment of long-lived assets, and Restructuring activities	527.5	946.8	1,778.9	2,573.0
Corporate	21.0	23.9	73.3	78.1
Impairment of long-lived assets	—	—	369.4	—
Restructuring activities, net	4.7	—	10.5	—
Eliminations – Lease Subsidiary	(163.4)	(273.3)	(478.9)	(803.5)
Eliminations – Other	(3.3)	(4.1)	(8.0)	(12.3)
Consolidated Total	<u>\$ 386.5</u>	<u>\$ 693.3</u>	<u>\$ 1,745.2</u>	<u>\$ 1,835.3</u>

Operating Profit (Loss)

Operating profit (loss) by segment for the three and nine months ended September 30, 2020 and 2019 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in millions)			
Railcar Leasing and Management Services Group	\$ 89.7	\$ 115.7	\$ 265.5	\$ 306.3
Rail Products Group	3.2	65.4	36.2	180.8
All Other	7.3	3.9	23.9	19.9
Segment Totals before Eliminations, Corporate Expenses, Impairment of long-lived assets, and Restructuring activities	100.2	185.0	325.6	507.0
Corporate	(21.0)	(23.9)	(73.3)	(78.1)
Impairment of long-lived assets	—	—	(369.4)	—
Restructuring activities, net	(4.7)	—	(10.5)	—
Eliminations – Lease Subsidiary	(2.6)	(40.7)	(33.5)	(109.5)
Eliminations – Other	1.0	(0.1)	(0.3)	(0.3)
Consolidated Total	<u>\$ 72.9</u>	<u>\$ 120.3</u>	<u>\$ (161.4)</u>	<u>\$ 319.1</u>

Discussion of Consolidated Results

Revenues — Our revenues for the three months ended September 30, 2020 were \$459.4 million, representing a decrease of \$354.2 million, or 43.5%, over the prior year period. Our revenues for the nine months ended September 30, 2020 were \$1,583.8 million, representing a decrease of \$570.6 million, or 26.5%, over the prior year period. The decreases in revenues primarily related to lower deliveries in the Rail Products Group and fewer railcars sold from our lease fleet.

Cost of revenues — Our cost of revenues for the three months ended September 30, 2020 were \$334.5 million, representing a decrease of 48.5%, over the prior year period. Our cost of revenues for the nine months ended September 30, 2020 were \$1,213.1 million, representing a decrease of \$477.9 million, or 28.3%, over the prior year period. The decreases in cost of revenues were primarily due to lower deliveries in the Rail Products Group and a lower volume of railcars sales in the Leasing Group.

Selling, engineering, and administrative expenses — Selling, engineering, and administrative expenses decreased by 17.6% and 10.0% for the three and nine months ended September 30, 2020, respectively, when compared to the prior year periods primarily due to lower employee-related costs, including headcount reductions and adjustments to incentive-based compensation, and lower litigation-related expenses, partially offset by consulting costs associated with realigning our operating structure to support our rail-focused strategy.

Impairment of long-lived assets — Impairment of long-lived assets for the nine months ended September 30, 2020 were \$369.4 million related to our small cube covered hopper railcars. See Note 10 of the Consolidated Financial Statements for more information. We had no impairment of long-lived assets during the three months ended September 30, 2020 and during the three and nine months ended September 30, 2019.

Restructuring activities, net — Our restructuring activities for the three months ended September 30, 2020 totaled \$4.7 million, primarily related to the realignment of our operating structure to support our rail-focused strategy. Our restructuring activities for the nine months ended September 30, 2020 totaled \$10.5 million, primarily as a result of employee transition costs, contract termination costs, and asset write-downs related to our corporate headquarters facility, partially offset by a net gain on the disposition of a non-operating facility and certain related assets. We had no restructuring activities during the three and nine months ended September 30, 2019.

Operating profit (loss) — Operating profit for the three months ended September 30, 2020 totaled \$72.9 million, representing a decrease of 39.4% from the prior year period. Operating loss for the nine months ended September 30, 2020 totaled \$161.4 million, representing a decrease of 150.6% from the prior year period. The decreases in operating profit resulted primarily from lower deliveries in the Rail Products Group, and a lower volume of railcar sales in the Leasing Group, partially offset by lower selling, engineering, and administrative expenses. Additionally, for the nine months ended September 30, 2020, operating profit was negatively impacted by the impairment of our small cube covered hopper railcars.

For further information regarding the operating results of individual segments, see "Segment Discussion" below.

Interest expense, net — Interest expense, net for the three and nine months ended September 30, 2020 totaled \$51.7 million and \$163.6 million, respectively, compared to \$54.0 million and \$160.8 million for the three and nine months ended September 30, 2019, respectively. The decrease in interest expense for the three months ended September 30, 2020 was primarily driven by a reduction in the average borrowings and the variable interest rates associated with TILC's warehouse loan facility and our revolving credit facility, as well as the early redemption of TRL V in the first quarter of 2020. The increase in interest expense for the nine months ended September 30, 2020 was primarily driven by higher debt obligations in the Leasing Group in connection with the Company's efforts to optimize its capital structure, as well as a \$4.7 million early redemption premium associated with the extinguishment of TRL V, partially offset by the variable interest rates associated with TILC's warehouse loan facility and our revolving credit facility.

Income taxes — The effective tax rates for the three and nine months ended September 30, 2020 were a benefit of 34.9% and a benefit of 69.5%, respectively, which differ from the U.S. statutory rate of 21.0% primarily due to the impact of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The effective tax benefit rate for the nine months ended September 30, 2020 was partially offset by the portion of the non-cash impairment charge that is not tax-effected because it is related to the noncontrolling interest. Our effective tax expense rates for the three and nine months ended September 30, 2019 were 27.5% and 26.1%, respectively. These differ from the U.S. statutory rate primarily due to the impacts of state income taxes, the incremental tax on profits of branches taxed in both U.S. and foreign jurisdictions, tax return true-ups, the establishment of nexus in additional states, and non-deductible executive compensation.

On March 27, 2020, the CARES Act was enacted. The CARES Act is a stimulus package that is a part of a series of bills meant to address the economic uncertainties associated with COVID-19. Due to the enactment of the CARES Act, Trinity filed a carryback claim for the 2018 and 2019 tax losses to the 2013-2015 tax years, allowing us to recover taxes that were previously paid. The income taxes associated with the carryback claims were paid at a federal rate of 35.0%, rather than the current rate of 21.0% in effect beginning with the 2018 tax year. The net deferred tax liability was remeasured and a federal income tax receivable was set up to account for the net operating losses permitted to be carried back under the CARES Act, resulting in a tax benefit of \$174.6 million for the nine months ended September 30, 2020. Accordingly, the effective tax benefit rates for the three and nine months ended September 30, 2020 include a benefit of 53.5% and 44.8%, respectively, due to the CARES Act.

Income tax refunds received, net of payments, during the nine months ended September 30, 2020 totaled \$1.3 million. The total income tax receivable position as of September 30, 2020 was \$485.0 million, of which approximately \$307.1 million relates to the 2018 and 2019 carryback claims and approximately \$169.7 million accrued to date for the 2020 anticipated carryback claim, which we expect will be realized in 2021.

Segment Discussion

Railcar Leasing and Management Services Group

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Percent Change	2020	2019	Percent Change
	(in millions)			(in millions)		
Revenues:						
Leasing and management	\$ 183.9	\$ 190.1	(3.3)%	\$ 558.6	\$ 566.6	(1.4)%
Sales of railcars owned one year or less at the time of sale ⁽¹⁾	—	136.3	(100.0)%	54.4	237.3	(77.1)%
Total revenues	\$ 183.9	\$ 326.4	(43.7)%	\$ 613.0	\$ 803.9	(23.7)%
Operating profit ⁽²⁾ :						
Leasing and management	\$ 86.8	\$ 79.8	8.8 %	\$ 247.8	\$ 234.6	5.6 %
Railcar sales:						
Railcars owned one year or less at the time of sale	—	17.8	(100.0)%	0.4	27.0	(98.5)%
Railcars owned more than one year at the time of sale	2.9	18.1	(84.0)%	17.3	44.7	(61.3)%
Total operating profit	\$ 89.7	\$ 115.7	(22.5)%	\$ 265.5	\$ 306.3	(13.3)%
Total operating profit margin	48.8 %	35.4 %		43.3 %	38.1 %	
Leasing and management operating profit margin	47.2 %	42.0 %		44.4 %	41.4 %	
Selected expense information:						
Depreciation ⁽³⁾⁽⁴⁾	\$ 51.5	\$ 59.4	(13.3)%	\$ 159.1	\$ 171.6	(7.3)%
Maintenance and compliance	\$ 18.5	\$ 24.9	(25.7)%	\$ 67.4	\$ 79.2	(14.9)%
Rent	\$ 2.1	\$ 3.8	(44.7)%	\$ 8.1	\$ 13.6	(40.4)%
Selling, engineering, and administrative expenses	\$ 11.7	\$ 10.7	9.3 %	\$ 39.0	\$ 36.2	7.7 %
Interest	\$ 47.0	\$ 50.0	(6.0)%	\$ 149.2	\$ 146.4	1.9 %

(1) Includes revenues associated with sales-type leases of \$26.3 million and \$60.5 million for the three and nine months ended September 30, 2019, respectively.

(2) Operating profit includes: depreciation; maintenance and compliance; rent; and selling, engineering, and administrative expenses. Amortization of deferred profit on railcars sold from the Rail Products Group to the Leasing Group is included in the operating profits of the Leasing Group, resulting in the recognition of depreciation expense based on our original manufacturing cost of the railcars. Interest expense is not a component of operating profit and includes the effect of hedges.

(3) Effective January 1, 2020, we revised the estimated useful lives and salvage values of certain railcar types in our lease fleet. This change in estimate resulted in a decrease in depreciation expense in the three and nine months ended September 30, 2020 of approximately \$7.7 million and \$23.1 million, respectively. This decrease was partially offset by higher depreciation associated with growth in the lease fleet. See Note 1 of the Consolidated Financial Statements for further information.

(4) As a result of the impairment of long-lived assets related to our small cube covered hopper railcars recorded in the second quarter of 2020, our quarterly depreciation expense beginning in the third quarter of 2020 has decreased by approximately \$3.5 million.

Total revenues for the Railcar Leasing and Management Services Group decreased by 43.7% and 23.7% for the three and nine months ended September 30, 2020, respectively, compared to the prior year period. Revenues related to sales of leased railcars owned one year or less decreased primarily due to a lower volume of railcars sold from the fleet. Additionally, leasing and management revenues decreased 3.3% and 1.4% for the three and nine months ended September 30, 2020, respectively, as a result of lower utilization and lower lease rates on renewals, partially offset by growth in the lease fleet and higher lease rates associated with new railcar additions when compared to the three and nine months ended September 30, 2019.

During the three and nine months ended September 30, 2020 and 2019, information related to the sales of leased railcars is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
(in millions)				
Sales of leased railcars:				
Railcars owned one year or less at the time of sale ⁽¹⁾	\$ —	\$ 136.3	\$ 54.4	\$ 237.3
Railcars owned more than one year at the time of sale	6.5	75.1	138.7	175.0
	<u>\$ 6.5</u>	<u>\$ 211.4</u>	<u>\$ 193.1</u>	<u>\$ 412.3</u>
Operating profit on sales of leased railcars:				
Railcars owned one year or less at the time of sale	\$ —	\$ 17.8	\$ 0.4	\$ 27.0
Railcars owned more than one year at the time of sale	2.9	18.1	17.3	44.7
	<u>\$ 2.9</u>	<u>\$ 35.9</u>	<u>\$ 17.7</u>	<u>\$ 71.7</u>
Operating profit margin on sales of leased railcars:				
Railcars owned one year or less at the time of sale	— %	13.1 %	0.7 %	11.4 %
Railcars owned more than one year at the time of sale	44.6 %	24.1 %	12.5 %	25.5 %
Weighted average operating profit margin on sales of leased railcars	44.6 %	17.0 %	9.2 %	17.4 %

(1) Includes revenues associated with sales-type leases of \$26.3 million and \$60.5 million for the three and nine months ended September 30, 2019, respectively.

Operating profit decreased by 22.5% and 13.3% for the three and nine months ended September 30, 2020, respectively, compared to the prior year period primarily due to a lower volume of railcar sales, partially offset by growth in the lease fleet. Additionally, operating profit and operating profit margin for the three and nine months ended September 30, 2020 benefited from lower depreciation expense associated with the revisions to the estimated useful lives and salvage values of certain railcar types in our lease fleet, as well as the impact of the small cube covered hopper railcar impairment described above. The decrease in depreciation expense was partially offset by higher depreciation associated with growth in the lease fleet.

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 sale-leaseback transactions; long-term recourse debt such as equipment trust certificates; long-term non-recourse promissory notes; or third-party equity.

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

	September 30, 2020	September 30, 2019
Number of railcars:		
Wholly-owned ⁽¹⁾	81,350	77,485
Partially-owned	24,575	24,605
	105,925	102,090
Managed (third-party owned)	26,655	24,215
	132,580	126,305
Company-owned railcars ⁽²⁾:		
Average age in years	10.1	9.4
Average remaining lease term in years	3.3	3.4
Fleet utilization	94.8 %	96.7 %

(1) Includes 1,985 railcars under sale-leaseback arrangements as of September 30, 2020.

(2) Includes wholly-owned and partially-owned railcars and railcars under sale-leaseback arrangements.

Rail Products Group

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Percent	2020	2019	Percent
	(in millions)		Change	(in millions)		Change
Revenues:						
Rail products	\$ 322.6	\$ 612.3	(47.3) %	\$ 1,056.3	\$ 1,723.5	(38.7) %
Maintenance services	43.2	99.8	(56.7) %	184.8	277.4	(33.4) %
Other	15.4	23.0	(33.0) %	55.1	74.9	(26.4) %
Total revenues	381.2	735.1	(48.1) %	1,296.2	2,075.8	(37.6) %
Operating costs:						
Cost of revenues	369.2	654.9	(43.6) %	1,230.2	1,850.3	(33.5) %
Selling, engineering, and administrative expenses	8.7	14.5	(40.0) %	29.7	44.4	(33.1) %
Losses on dispositions of property	0.1	0.3	(66.7) %	0.1	0.3	(66.7) %
Operating profit	\$ 3.2	\$ 65.4	(95.1) %	\$ 36.2	\$ 180.8	(80.0) %
Operating profit margin	0.8 %	8.9 %		2.8 %	8.7 %	

Information related to our Rail Products Group backlog of railcars is summarized below:

	September 30,		
	2020	2019	Percent
	(in millions)		Change
External Customers	\$ 725.8	\$ 1,628.3	
Leasing Group	429.6	817.4	
Total ⁽¹⁾	\$ 1,155.4	\$ 2,445.7	(52.8) %

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2020	2019	2020	2019	Percent Change
Beginning balance	10,665	23,170	15,085	30,875	
Orders received	2,000	2,530	4,810	7,635	
Deliveries	(2,605)	(5,320)	(9,295)	(15,080)	
Other adjustments ⁽¹⁾	(10)	(430)	(550)	(3,480)	
Ending balance	10,050	19,950	10,050	19,950	
Average selling price in ending backlog			\$ 114,965	\$ 122,591	(6.2) %

⁽¹⁾ For the nine months ended September 30, 2020, the adjustment includes 550 railcars valued at \$82 million, primarily from railcars that were removed from the backlog because of a change in the underlying financial condition of certain customers. For the three months ended September 30, 2019, the adjustment includes 200 railcars that resulted from an order cancellation negotiated with a customer for which the Company received compensation and recorded a cancellation fee, and 230 railcars that were removed from the backlog because of the financial condition of a Leasing Group customer. These adjustments resulted in a reduction of the backlog of approximately \$70 million. Additionally, for the nine months ended September 30, 2019, the other adjustments line reflects the removal of contractually committed orders for approximately 3,050 leased railcars valued at \$240 million because of the financial condition of one of the Leasing Group's customers.

Revenues and cost of revenues for the Rail Products Group decreased for the three months ended September 30, 2020 by 48.1% and 43.6%, respectively, when compared to the prior year period. Revenues and cost of revenues for the Rail Products Group decreased for the nine months ended September 30, 2020 by 37.6% and 33.5%, respectively, when compared to the prior year period. These decreases primarily resulted from lower deliveries, as well as a lower volume of railcar modifications in our maintenance services business. The decrease in cost of revenues for the nine months ended September 30, 2020 was partially offset by increased costs from operational inefficiencies associated with lower manufacturing volumes.

Total backlog dollars decreased by 52.8% when compared to the prior year period primarily from a reduction in orders received, as well as a 6.2% lower average selling price on railcars included in backlog as a result of changes in the mix of railcars in the backlog and downward trends in material costs. Approximately 19.7% of our railcar backlog value is expected to be delivered during 2020 with the remainder to be delivered thereafter into 2023. The orders in our backlog from the Leasing Group are fully supported by lease commitments with external customers. The final amount of backlog attributable to the Leasing Group may vary by the time of delivery as customers may choose to change their procurement decision.

During the three months ended September 30, 2020, railcar shipments included sales to the Leasing Group of \$145.5 million with nominal deferred profit, representing 1,396 railcars, compared to \$261.9 million with a deferred profit of \$35.8 million, representing 2,025 railcars, in the comparable period in 2019. During the nine months ended September 30, 2020, railcar shipments included sales to the Leasing Group of \$451.7 million with a deferred profit of \$26.3 million, representing 3,938 railcars, compared to \$814.4 million with a deferred profit of \$97.6 million, representing 6,822 railcars, in the comparable period in 2019.

All Other

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Percent	2020	2019	Percent
	(in millions)		Change	(in millions)		Change
Revenues:						
Highway Products	\$ 62.6	\$ 70.1	(10.7) %	\$ 195.3	\$ 199.3	(2.0) %
Other	—	0.2	*	—	1.0	*
Total revenues	62.6	70.3	(11.0) %	195.3	200.3	(2.5) %
Operating costs:						
Cost of revenues	45.6	53.2	(14.3) %	141.8	147.4	(3.8) %
Selling, engineering, and administrative expenses	9.8	12.9	(24.0) %	30.2	32.7	(7.6) %
(Gains) losses on dispositions of property	(0.1)	0.3	*	(0.6)	0.3	*
Operating profit	\$ 7.3	\$ 3.9	87.2 %	\$ 23.9	\$ 19.9	20.1 %
Operating profit margin	11.7 %	5.5 %		12.2 %	9.9 %	

* Not meaningful

Revenues and cost of revenues decreased for the three and nine months ended September 30, 2020 when compared to the prior year period primarily from decreased demand in our highway products business. Operating profit was further impacted in the three and nine months ended September 30, 2020 by lower employee-related costs and lower costs associated with our non-operating facilities.

Corporate

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Percent	2020	2019	Percent
	(in millions)		Change	(in millions)		Change
Operating costs	\$ 21.0	\$ 23.9	(12.1) %	\$ 73.3	\$ 78.1	(6.1) %

Operating costs for the three and nine months ended September 30, 2020 decreased 12.1% and 6.1%, respectively, compared to the prior year period primarily from lower employee-related costs, including headcount reductions and adjustments to incentive-based compensation, and lower litigation-related expenses, partially offset by consulting costs associated with realigning our corporate structure to support our rail-focused strategy.

Liquidity and Capital Resources

Overview

We expect to finance future operating requirements with cash, cash equivalents, and short-term marketable securities; cash flows from operations; and short-term debt, long-term debt, and equity. Debt instruments that we have utilized include the TILC warehouse facility, senior notes, convertible subordinated notes, asset-backed securities, non-recourse promissory notes, sale-leaseback transactions, and our revolving credit facility.

As of September 30, 2020, we have total committed liquidity of \$719.0 million. Our total available liquidity includes: \$120.8 million of unrestricted cash and cash equivalents; \$278.7 million unused and available under our revolving credit facility; and \$319.5 million unused and available under the TILC warehouse facility based on the amount of warehouse-eligible, unpledged equipment. Additionally, our revolving credit facility allows for a \$200.0 million expansion feature, subject to certain conditions. We believe we have access to adequate capital resources to fund operating requirements and are an active participant in the capital markets.

Liquidity Highlights

Early Redemption of TRL V — In March 2020, TRL V redeemed its 2006 Secured Railcar Equipment Notes due May 2036. We used \$109.9 million in cash, which included \$104.7 million that was outstanding at the redemption date, a \$4.7 million early redemption premium, and \$0.5 million in accrued and unpaid interest.

TRL-2017 — In July 2020, TRL-2017 issued an additional \$225.0 million of promissory notes pursuant to a provision in its existing loan agreement. The promissory notes bear interest at LIBOR plus 1.50%. Net proceeds received from the transaction were used to repay borrowings under TILC's secured warehouse credit facility and under the Company's revolving credit facility, and for general corporate purposes.

Dividend Payments — We paid \$67.8 million in dividends to our common stockholders during the nine months ended September 30, 2020.

Share Repurchases — In March 2019, our Board of Directors authorized a share repurchase program effective March 7, 2019 through December 31, 2020. The share repurchase program authorized the Company to repurchase up to \$350.0 million of its common stock, not to exceed 13.7 million shares. On April 24, 2020, as a result of then-current market conditions, the Board of Directors amended the repurchase program to remove the share limitation. In the third quarter of 2020, we completed the existing share repurchase program. Share repurchase activity under this program is as follows:

Period	Shares Repurchased		Remaining Authorization to Repurchase	
	Number of shares	Cost (in millions)	Cost (in millions)	
March 7, 2019 Authorization			\$	350.0
March 7, 2019 through March 31, 2019	866,715	\$ 19.0	\$	331.0
April 1, 2019 through June 30, 2019	2,133,116	44.0	\$	287.0
July 1, 2019 through September 30, 2019	5,171,489	100.9	\$	186.1
October 1, 2019 through December 31, 2019	2,933,474	60.8	\$	125.3
January 1, 2020 through March 31, 2020	1,850,000	35.4	\$	89.9
April 1, 2020 through June 30, 2020	—	—	\$	89.9
July 1, 2020 through September 30, 2020	4,466,896	89.9	\$	—
Total	17,421,690	\$ 350.0		

Cash Flows

The following table summarizes our cash flows from operating, investing, and financing activities for the nine months ended September 30, 2020 and 2019:

	Nine Months Ended September 30,	
	2020	2019
	(in millions)	
Net cash flows from continuing operations:		
Operating activities	\$ 456.8	\$ 166.3
Investing activities	(361.0)	(723.3)
Financing activities	(151.3)	423.6
Net cash flows from discontinued operations	(0.2)	(2.3)
Net decrease in cash, cash equivalents, and restricted cash	\$ (55.7)	\$ (135.7)

Operating Activities. Net cash provided by operating activities from continuing operations for the nine months ended September 30, 2020 was \$456.8 million compared to net cash provided by operating activities from continuing operations of \$166.3 million for the nine months ended September 30, 2019. The changes in our operating assets and liabilities are as follows:

	Nine Months Ended September 30,	
	2020	2019
	(in millions)	
(Increase) decrease in receivables, inventories, and other assets	\$ 242.4	\$ (204.9)
(Increase) decrease in income tax receivable	(470.3)	19.3
Increase (decrease) in accounts payable, accrued liabilities, and other liabilities	(48.5)	3.4
Changes in operating assets and liabilities	\$ (276.4)	\$ (182.2)

The changes in our operating assets and liabilities resulted in a net use of \$276.4 million for the nine months ended September 30, 2020, compared to a net use of \$182.2 million for the nine months ended September 30, 2019. The increase in the income tax receivable was primarily driven by anticipated tax refunds related to the loss carryback provisions included in recent tax legislation. Additionally, the changes in our operating assets and liabilities were impacted by a customer's election to exercise a purchase option on a sales-type lease, cyclical shifts, and working capital initiatives.

Investing Activities. Net cash used in investing activities for the nine months ended September 30, 2020 was \$361.0 million compared to \$723.3 million for the nine months ended September 30, 2019. Significant investing activities are as follows:

- We made a net investment in the lease fleet of \$310.1 million during the nine months ended September 30, 2020, compared to \$679.3 million in the prior year period. Our net investment in the lease fleet primarily includes new railcar additions and railcar modifications, net of deferred profit, and secondary market purchases; and is net of proceeds from the sales of leased railcars owned more than one year at the time of sale.

Financing Activities. Net cash used in financing activities during the nine months ended September 30, 2020 was \$151.3 million compared to \$423.6 million of cash provided by financing activities for the same period in 2019. Significant financing activities are as follows:

- During the nine months ended September 30, 2020, we had total borrowings of \$835.8 million and total repayments of \$795.5 million, for net proceeds of \$40.3 million, primarily from debt proceeds to support our investment in the lease fleet, partially offset by the early redemption of TRL V. During the nine months ended September 30, 2019, we had total borrowings of \$2,010.2 million and total repayments of \$1,360.8 million, for net proceeds of \$649.4 million, primarily related to the proceeds from the issuance of debt in support of our investment in the lease fleet.
- We paid \$67.8 million and \$60.8 million in dividends to our common stockholders during the nine months ended September 30, 2020 and 2019, respectively.

- We repurchased common stock under our authorized share repurchase programs totaling \$120.4 million and \$154.9 million during the nine months ended September 30, 2020 and 2019, respectively. Certain shares of stock repurchased during September 2020, totaling \$4.9 million, were cash settled in October 2020 in accordance with normal settlement practices. The cash outlay for shares repurchased during nine months ended September 30, 2019 excludes approximately \$70.0 million related to the repurchased shares that were funded in November 2018 under the ASR program but delivered in the first quarter of 2019. Additionally, certain shares of stock repurchased during September 2019, totaling \$9.0 million, were cash settled in October 2019 in accordance with normal settlement practices.

Current Debt Obligations

The revolving credit facility contains several financial covenants that require the maintenance of ratios related to minimum interest coverage for the leasing and manufacturing operations and maximum leverage. In July 2020, we amended our revolving credit facility to increase the maximum leverage ratio to provide additional near-term flexibility through December 31, 2021. A summary of our financial covenants is detailed below:

Ratio	Covenant	Actual at September 30, 2020
Maximum leverage ⁽¹⁾	No greater than 3.75 to 1.00	2.45
Minimum interest coverage ⁽²⁾	No less than 2.25 to 1.00	5.13

⁽¹⁾ Defined as the ratio of consolidated total indebtedness to consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA") for the Borrower and its Restricted Subsidiaries for the period of four consecutive quarters ending with September 30, 2020.

⁽²⁾ Defined as the ratio of the difference of (A) consolidated EBITDA less (B) consolidated capital expenditures – manufacturing and other to consolidated interest expense to the extent paid in cash, in each case for the Borrower and its Restricted Subsidiaries for the period of four consecutive quarters ending with September 30, 2020.

As of September 30, 2020, we were in compliance with all such financial covenants. Please refer to Note 7 of the Consolidated Financial Statements for a description of our current debt obligations.

Supplemental Guarantor Financial Information

Our Senior Notes are fully and unconditionally and jointly and severally guaranteed by certain of Trinity's 100%-owned subsidiaries: Trinity Industries Leasing Company; Trinity North American Freight Car, Inc.; Trinity Rail Group, LLC; Trinity Tank Car, Inc.; Trinity Highway Products, LLC; and TrinityRail Maintenance Services, Inc. (collectively, the "Guarantor Subsidiaries").

The Senior Notes indenture agreement includes customary provisions for the release of the guarantees by the Guarantor Subsidiaries upon the occurrence of certain allowed events including the release of one or more of the Combined Guarantor Subsidiaries as guarantor under our revolving credit facility. See Note 8 of our 2019 Annual Report on Form 10-K. The Senior Notes are not guaranteed by any of our remaining 100%-owned subsidiaries or partially-owned subsidiaries ("Non-Guarantor Subsidiaries").

As of September 30, 2020, assets held by the Non-Guarantor Subsidiaries included \$82.0 million of restricted cash that was not available for distribution to Trinity Industries, Inc. ("Parent"), \$5,989.7 million of equipment securing certain non-recourse debt, and \$127.5 million of assets located in foreign locations. As of December 31, 2019, assets held by the Non-Guarantor Subsidiaries included \$86.1 million of restricted cash that was not available for distribution to the Parent, \$6,409.8 million of equipment securing certain non-recourse debt, and \$136.0 million of assets located in foreign locations.

The following tables include the summarized financial information for Parent and Guarantor Subsidiaries (together the obligor group) on a combined basis after elimination of intercompany transactions within the obligor group (in millions). Investments in and equity in the earnings of the Non-Guarantor Subsidiaries (the non-obligor group) have been excluded.

Summarized Statement of Operations:

	Nine Months Ended September 30, 2020	
Revenues ⁽¹⁾	\$	1,004.5
Cost of revenues ⁽²⁾	\$	856.5
Income (loss) from continuing operations ⁽³⁾	\$	175.6
Net income (loss) ⁽³⁾	\$	175.4

Summarized Balance Sheets:

	September 30, 2020		December 31, 2019 ⁽⁶⁾	
Assets:				
Receivables, net of allowance ⁽⁴⁾	\$	193.2	\$	240.1
Inventories	\$	340.3	\$	398.8
Property, plant, and equipment, net	\$	1,539.8	\$	1,358.5
Other assets	\$	238.5	\$	364.9
Liabilities:				
Accounts payable ⁽⁵⁾	\$	152.0	\$	143.8
Debt	\$	523.1	\$	522.8
Deferred income taxes	\$	863.5	\$	806.4
Other liabilities	\$	140.0	\$	95.1
Noncontrolling interest	\$	276.3	\$	348.8

⁽¹⁾ There were no net sales from the obligor group to Non-Guarantor Subsidiaries during the nine months ended September 30, 2020.

⁽²⁾ Cost of revenues includes \$152.1 million of purchases from Non-Guarantor Subsidiaries during the nine months ended September 30, 2020.

⁽³⁾ Includes \$242.0 million of income tax benefit that is attributable to the obligor group.

⁽⁴⁾ Receivables, net of allowance includes \$48.1 million and \$53.1 million of receivables from Non-Guarantor Subsidiaries as of September 30, 2020 and December 31, 2019, respectively.

⁽⁵⁾ Accounts payable includes \$30.5 million and \$29.4 million of payables to Non-Guarantor Subsidiaries as of September 30, 2020 and December 31, 2019, respectively.

⁽⁶⁾ Certain balances as of December 31, 2019 have been recast to reflect adjustments between the previous separate presentation of Parent and Guarantor subsidiaries and the new combined presentation of the obligor group.

Capital Expenditures

For the full year 2020, we anticipate a net investment in our lease fleet of between \$425 million and \$475 million. Capital expenditures related to manufacturing and corporate are projected to range between \$95 million and \$105 million for the full year 2020.

Equity Investment

See Note 4 of the Consolidated Financial Statements for information about our investment in partially-owned leasing subsidiaries.

Off Balance Sheet Arrangements

As of September 30, 2020, we had letters of credit issued under our Credit Agreement in an aggregate principal amount of \$35.2 million, the full amount of which is expected to expire in July 2021. Our letters of credit obligations support our various insurance programs and generally renew by their terms each year. See Note 7 of the Consolidated Financial Statements for further information about our corporate revolving credit facility.

Planned Pension Plan Termination

On September 4, 2019, our Board of Directors approved the termination of the Trinity Industries, Inc. Consolidated Pension Plan (the "Pension Plan"), effective December 31, 2019. Except for retirees currently receiving payments under the Pension Plan, participants will have the choice of receiving a single lump sum payment or an annuity from a highly-rated insurance company that will pay and administer future benefit payments. The Pension Plan is expected to be settled in the fourth quarter of 2020, which would then result in the Company no longer having any remaining funded pension plan obligations.

Upon settlement, we currently expect to recognize a pre-tax non-cash pension settlement charge totaling between \$145 million and \$160 million, which is inclusive of all actuarial losses currently recorded in AOCL. The settlement charge is expected to be recognized in our Statement of Operations during the fourth quarter when payments are made to those participants electing to receive a lump sum distribution and when the annuity contracts are purchased to settle all remaining outstanding pension obligations. We believe that our current pension assets will be sufficient to settle the Pension Plan liability. The actual amount of the settlement charge and any potential cash contribution or surplus will depend on interest rates, Pension Plan asset returns, the lump-sum election rate, and other factors.

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 from time to time to mitigate the impact of changes in natural gas and diesel fuel prices and changes in foreign currency exchange rates. Derivative instruments that are designated and qualify as cash flow hedges are accounted for in accordance with applicable accounting standards. See Note 2 of the Consolidated Financial Statements for discussion of how we utilize our derivative instruments.

LIBOR Transition

In July 2017, the United Kingdom's Financial Conduct Authority, which regulates the London Interbank Offered Rate ("LIBOR"), announced that it will no longer persuade or require banks to submit rates for the calculation of LIBOR after 2021. We currently have LIBOR-based contracts that extend beyond 2021 including derivative instruments, promissory notes for TRL-2017, TILC's warehouse loan facility, and our revolving credit facility. After LIBOR is phased out, the interest rates for these obligations might be subject to change. The replacement of LIBOR with an alternative benchmark reference rate may adversely affect interest rates and result in higher borrowing costs under these agreements and any future agreements.

Non-GAAP Financial Measures

We have included financial measures compiled in accordance with GAAP and certain non-GAAP measures in this Quarterly Report on Form 10-Q to provide management and investors with additional information regarding our financial results. Non-GAAP measures should not be considered in isolation or as a substitute for our reporting results prepared in accordance with GAAP and, as calculated, may not be comparable to other similarly titled measures for other companies. For each non-GAAP financial measure, we provide a reconciliation to the most comparable GAAP measure.

Free Cash Flow

Free Cash Flow is defined as net cash provided by operating activities from continuing operations as computed in accordance with GAAP, plus cash proceeds from sales of leased railcars owned more than one year at the time of sale, less cash payments for manufacturing capital expenditures and dividends. We believe Free Cash Flow is useful to both management and investors as it provides a relevant measure of liquidity and a useful basis for assessing our ability to fund our operations and repay our debt. Free Cash Flow is reconciled to net cash provided by operating activities from continuing operations, the most directly comparable GAAP financial measure, in the following table.

	Nine Months Ended September 30,	
	2020	2019
	(in millions)	
Net cash provided by operating activities – continuing operations	\$ 456.8	\$ 166.3
Add:		
Proceeds from railcar lease fleet sales owned more than one year at the time of sale	138.7	175.0
Adjusted Net Cash Provided by Operating Activities	\$ 595.5	\$ 341.3
Less:		
Capital expenditures – manufacturing and other	(70.7)	(63.3)
Dividends paid to common shareholders	(67.8)	(60.8)
Free Cash Flow (before Capital expenditures – leasing)	\$ 457.0	\$ 217.2

Contractual Obligations and Commercial Commitments

Except as described below, as of September 30, 2020, there have been no material changes to our contractual obligations from December 31, 2019:

- Contractual obligations that relate to operating leases increased by approximately \$77.9 million for the execution of a lease agreement for our new corporate headquarters. See Note 1 of the Consolidated Financial Statements for additional information regarding the corporate headquarters lease; and
- In March 2020, TRL V redeemed its 2006 Secured Railcar Equipment Notes due May 2036, of which \$109.3 million was outstanding at December 31, 2019. See Note 7 of the Consolidated Financial Statements for additional information regarding the early redemption of TRL V.
- In July 2020, TRL-2017 issued an additional \$225.0 million of promissory notes pursuant to a provision in its existing loan agreement. See Note 7 of the Consolidated Financial Statements for additional information regarding the expansion of TRL-2017.

Recent Accounting Pronouncements

See Note 1 of the Consolidated Financial Statements for information about recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There has been no material change in our market risks since December 31, 2019 as set forth in Item 7A of our 2019 Annual Report on Form 10-K. Refer to Note 7 and Note 2 of the Consolidated Financial Statements for a discussion of debt-related activity and the impact of hedging activity, respectively, for the three and nine months ended September 30, 2020.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that we are able to collect and record the information we are required to disclose in the reports we file with the SEC, and to process, summarize, and disclose this information within the time periods specified in the rules of the SEC. Our Chief Executive and Chief Financial Officers are responsible for establishing and maintaining these procedures and, as required by the rules of the SEC, evaluating their effectiveness. Based on their evaluation of our disclosure controls and procedures that took place as of the end of the period covered by this report, the Chief Executive and Chief Financial Officers concluded that these procedures are effective to 1) ensure that we are able to collect, process, and disclose the information we are required to disclose in the reports we file with the SEC within the required time periods and 2) accumulate and communicate this information to our management, including our Chief Executive and Chief Financial Officers, to allow timely decisions regarding this disclosure.

Internal Controls over Financial Reporting

During the period covered by this report, there have been no changes in our internal controls over financial reporting that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

PART II

Item 1. Legal Proceedings

The information provided in Note 14 of the Consolidated Financial Statements is hereby incorporated into this Part II, Item 1 by reference.

Item 1A. Risk Factors

The COVID-19 pandemic is likely to have a material adverse effect on our results of operations and could have a material adverse effect on our ability to operate, financial condition, liquidity, access to capital, payment of dividends, and capital investments.

The World Health Organization has declared the COVID-19 outbreak a pandemic, and the virus continues to spread in areas where we operate and sell our products and services. The COVID-19 pandemic and similar issues in the future are likely to have a material adverse effect on our results of operations and prolonged negative economic impact of the COVID-19 pandemic and the related governmental response could have a material adverse effect on our ability to operate, results of operations, financial condition, liquidity, access to capital, payment of dividends, and capital investments. Several public health organizations have recommended, and many local governments have implemented, certain measures to slow and limit the transmission of the virus, including shelter-in-place and social distancing ordinances. Such preventive measures, or others we may voluntarily put in place, may have a material adverse effect on our business for an indefinite period of time, such as the potential shut down of certain facilities, decreased employee availability, potential border closures, restrictions on shipping, and other potential impacts. Our suppliers and customers may also face these and other challenges, which could lead to a disruption in our supply chain as well as decreased demand, or our customers' inability to pay, for our products and services. The COVID-19 pandemic has also resulted in near-term shortages of certain personal protective equipment ("PPE") which may continue or worsen if the COVID-19 pandemic has a prolonged negative impact on the supply chain for PPE. An inability to procure PPE for operations may have a material adverse effect on our business, including potential shutdown of certain facilities or operations. These issues may also materially affect our future access to our sources of liquidity, particularly our cash flows from operations, financial condition, capitalization, access to capital, and capital investments. Although these disruptions may continue to occur, the long-term economic impact and near-term financial impacts of the COVID-19 pandemic, including but not limited to, possible additional impairment, restructuring, and other charges, cannot be reliably quantified or estimated at this time due to the uncertainty of future developments. The extent to which the COVID-19 pandemic affects our results will also depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of COVID-19 and actions taken to contain the outbreak or treat its impact, among others.

Other than the item listed above, there have been no material changes from the risk factors previously disclosed in Item 1A of our 2019 Annual Report on Form 10-K.

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

This table provides information with respect to purchases by the Company of shares of its Common Stock during the quarter ended September 30, 2020:

Period	Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share ⁽¹⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾ (in millions)
July 1, 2020 through July 31, 2020	601,264	\$ 19.73	599,841	\$ 78.0
August 1, 2020 through August 31, 2020	1,502,356	\$ 20.46	1,491,789	\$ 47.5
September 1, 2020 through September 30, 2020	2,376,073	\$ 20.00	2,375,266	\$ —
Total	4,479,693		4,466,896	

(1) These columns include the following transactions during the three months ended September 30, 2020: (i) the surrender to the Company of 12,471 shares of common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock issued to employees, (ii) the purchase of 326 shares of common stock by the Trustee for assets held in a non-qualified employee profit sharing plan trust, and (iii) the purchase of 4,466,896 shares of common stock on the open market as part of our share repurchase program.

(2) In March 2019, our Board of Directors authorized a share repurchase program effective March 7, 2019 through December 31, 2020. The share repurchase program authorized the Company to repurchase up to \$350.0 million of its common stock, not to exceed 13.7 million shares. On April 24, 2020, as a result of then-current market conditions, the Board of Directors amended the repurchase program to remove the share limitation. The Company repurchased 4,466,896 shares under the share repurchase program during the three months ended September 30, 2020, completing the authorization. Certain shares of stock repurchased during September 2020, totaling \$4.9 million, were cash settled in October 2020 in accordance with normal settlement practices. 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.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

NO.	DESCRIPTION
3.1	Amended and Restated Bylaws of Trinity Industries, Inc., effective September 9, 2020 (filed herewith).
10.1	Amendment No. 1 to Amended and Restated Credit Agreement, dated as of July 17, 2020, by and among Trinity Industries, Inc., the lenders party thereto, and JPMorgan Chase Bank, as Administrative Agent (filed herewith).
10.2	First Amendment to the Fourth Amended and Restated Trinity Industries, Inc. 2004 Stock Option and Incentive Plan (filed herewith).
22.1	Subsidiary guarantors and issuers of guaranteed securities
31.1	Rule 13a-15(e) and 15d-15(e) Certification of the Chief Executive Officer (filed herewith).
31.2	Rule 13a-15(e) and 15d-15(e) Certification of the Chief Financial Officer (filed herewith).
32.1	Certification pursuant to 18U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2	Certification pursuant to 18U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101.INS	Inline XBRL Instance Document — the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document (filed electronically herewith).
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed electronically herewith).
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (filed electronically herewith).
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (filed electronically herewith).
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (filed electronically herewith).
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TRINITY INDUSTRIES, INC.
Registrant

By /s/ Eric R. Marchetto

Eric R. Marchetto
Executive Vice President and Chief Financial Officer
October 26, 2020

As Amended Effective September 9, 2020

BYLAWS
OF
TRINITY INDUSTRIES, INC.

ARTICLE I.

Offices

Section 1. Registered Office. The registered office shall be located in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. Other Offices. The corporation may also have offices at such other places within or without the State of Delaware as the Board of Directors may from time to time determine, or as the business of the corporation may require.

ARTICLE II.

Meetings of Stockholders

Section 1. Location of Meetings. Meetings of the stockholders for any purpose shall be held at such time and place, either within or without the State of Delaware, as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meetings of Stockholders. The annual meeting of stockholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. Nominations for election to the Board of Directors shall be made at such meeting only by or at the direction of the Board of Directors, by a nominating committee or person appointed by the Board of Directors, or by a stockholder of the corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 2 and nominates such proposed nominee in person or by proxy at the annual meeting of stockholders. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the corporation. To be timely, a stockholder's notice shall be delivered to, or mailed and received at, the principal executive offices of the corporation not less than sixty (60) days nor more than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the later of (i) the sixtieth (60th) day prior to such annual meeting or (ii) the tenth (10th) day following the day on which public announcement of the date of such meeting is first made. For purposes of these Bylaws, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended. Such stockholder's notice to the Secretary shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of capital stock of the corporation which are beneficially owned by the person, and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended; and (b) as to the stockholder giving the notice, (i) the name and record address of the stockholder, (ii) the class and number of shares of capital stock of the corporation which are beneficially owned by the stockholder, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (v) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder. To be eligible to be a nominee for election or re-election as a director, a person nominated for election or re-election as a director must deliver a written representation and agreement that such person will

comply, if elected or re-elected as a director of the corporation, with all policies and guidelines applicable to all directors of the corporation, including, without limitation, all applicable corporate governance, conflict of interest and confidentiality policies and guidelines. The corporation may require any proposed nominee to furnish such other information as may reasonably be required by the corporation to determine the eligibility of such proposed nominee to serve as director of the corporation. No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth herein.

The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

At each annual meeting of the stockholders, only such business shall be conducted as shall have properly been brought before the meeting. To be properly before the meeting, the business to be conducted must be specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, otherwise properly brought before the meeting by or at the direction of the Board of Directors, or otherwise properly brought before the meeting by a stockholder entitled to vote at the meeting. In addition to any other applicable requirements, for business to be properly brought before the meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the corporation and present such business in person or by proxy at the annual meeting of stockholders. To be timely, a stockholder's notice shall be delivered to, or mailed and received at, the principal executive offices of the corporation not less than sixty (60) days nor more than ninety days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the later of (i) the sixtieth (60th) day prior to such annual meeting or (ii) the tenth (10th) day following the day on which public announcement of the date of such meeting is first made. A stockholder's notice to the Secretary of the corporation shall set forth as to each matter that the stockholder proposes to bring before the annual meeting, (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the stockholder proposing such business, (iii) the class and number of shares of the corporation which are beneficially owned by the stockholder, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting. Notwithstanding the foregoing provisions of this Section 2, a stockholder seeking to have a proposal included in the corporation's proxy statement shall comply with the requirements of Regulation 14A under the Securities Exchange Act of 1934, as amended (including, but not limited to, Rule 14a-8 or its successor provision), including the requirements regarding appearance and presentation of the proposal at the stockholder meeting.

Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Section 2; provided, however, that nothing in this Section 2 shall be deemed to preclude discussion by any stockholder of any business properly brought before the annual meeting in accordance with the procedures set forth in this Section 2.

The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that the business sought to be so conducted was not properly brought before the meeting in accordance with the provisions of this Section 2, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

Section 3. Special Meetings of Stockholders. Special meetings of the stockholders may be called only by the Chief Executive Officer or by the Board of Directors pursuant to a resolution adopted by a majority of the directors constituting the entire Board of Directors.

Section 4. Notice of Meetings. Notice of the place, if any, date and time of all meetings of the stockholders shall be given, not less than ten (10) nor more than sixty (60) days before the date of the meeting (unless a different time is specified by law) by or at the direction of the Chief Executive Officer, the Secretary or the officer calling the meeting to every stockholder entitled to vote at the meeting as of the record date for determining the stockholders entitled to notice of the meeting. Notices of special meetings shall also specify the purpose or purposes for which the meeting has been called. Except as otherwise provided herein or permitted by applicable law, notice to stockholders shall be in writing and delivered personally or mailed to the stockholders at their address appearing on the books of the corporation. Without limiting the manner by which notice otherwise may be given effectively to stockholders, notice of meeting may be given to stockholders by means of electronic transmission in accordance with applicable law. Notice of any meeting need not be given to any stockholder who shall, either before or after the meeting, submits a

waiver of notice or who shall attend such meeting, except when the stockholder attends for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

Section 5. Quorum. The holders of a majority of the shares entitled to vote at the meeting, represented in person or by proxy, shall constitute a quorum at meetings of stockholders except as otherwise provided by applicable law or the Certificate of Incorporation.

Section 6. Adjournments. The Chairman of the meeting shall have the power to adjourn the meeting from time to time to reconvene at the same or some other place, if any, and notice need not be given of such adjourned meeting if the time and place, if any, thereof are announced at the meeting at which the adjournment is taken. At such adjourned meeting, any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty (30) days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 7. Election of Directors. Each director shall be elected by the vote of the majority of the votes cast with respect to that director's election at any meeting for the election of directors at which a quorum is present; provided, if the number of persons properly nominated to serve as directors exceeds the number of directors to be elected, then each director of the corporation shall be elected by the vote of a plurality of the shares present in person or by proxy at the meeting and entitled to vote on the election of directors. For purposes of this Section 7, a majority of votes cast shall mean that the number of shares voted "for" a director's election exceeds 50% of the number of votes cast with respect to the director's election; votes cast shall include votes to withhold authority and exclude abstentions with respect to the director's election.

If a nominee for director is not elected and the nominee is an incumbent director, the director shall promptly tender his or her resignation to the Board of Directors, subject to acceptance by the Board of Directors. The Corporate Governance and Directors Nominating Committee will make a recommendation to the Board of Directors as to whether to accept or reject the tendered resignation, or whether other action should be taken. The Board of Directors will act on the tendered resignation, taking into account the Corporate Governance and Directors Nominating Committee's recommendation, and publicly disclose (by a press release, a filing with the Securities and Exchange Commission or other broadly disseminated means of communication) its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of certification of the election results. The Corporate Governance and Directors Nominating Committee in making its recommendation and the Board of Directors in making its decision may each consider any factors or other information that they consider appropriate and relevant. The director who tenders his or her resignation will not participate in the recommendation of the Corporate Governance and Directors Nominating Committee or the decision of the Board of Directors with respect to his or her resignation.

If a director's resignation is accepted by the Board of Directors pursuant to this Bylaw, or if a nominee for director is not elected and the nominee is not an incumbent director, then the Board of Directors may fill the resulting vacancy pursuant to the provisions of Section 2 of Article III of these Bylaws or may decrease the size of the Board of Directors.

Section 8. Voting. Except as provided in Section 7 of this Article with respect to the election of the Board of Directors, at a meeting at which a quorum is present, the vote of the holders of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote shall be the act of the stockholders' meeting, unless the vote of a greater number is required by law or the Certificate of Incorporation. Each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of stockholders, except to the extent that the voting rights of the shares of any class are limited or denied by the Certificate of Incorporation.

Section 9. Proxies. At any meeting of the stockholders, every stockholder having the right to vote may vote either in person, or by proxy appointed by an instrument in writing as to a particular meeting and any adjournment or adjournments thereof subscribed by such stockholder or by his or her duly authorized attorney-in-fact. A proxy shall be revocable unless expressly provided therein to be irrevocable and unless otherwise provided by law.

Section 10. Stockholder List. The officer or agent having charge of the stock transfer books shall make, at least ten (10) days before each meeting of stockholders, a complete list of the stockholders entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and number of shares held by each, which list, for a period of ten (10) days prior to such meeting, shall be kept on file at the principal place of business of the corporation, and shall be subject to inspection by any stockholder at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting, and shall be subject to

the inspection of any stockholder during the whole time of the meeting. The original stock transfer books shall be prima facie evidence as to who are the stockholders entitled to examine such list or transfer book or to vote at any such meeting of stockholders.

Section 11. Rules of Conduct. The Board of Directors may adopt by resolution such rules and regulations for the conduct of the meeting of the stockholders as it shall deem appropriate. The Chairman of the Board of Directors shall act as Chairman of the meeting and shall preside at all meetings of the stockholders. In the absence of the Chairman of the Board of Directors, the Board of Directors shall designate a person to serve as Chairman of the meeting. Except to the extent inconsistent with these Bylaws or such rules and regulations as adopted by the Board of Directors, the Chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all acts as, in the judgment of such Chairman, are appropriate for the proper conduct of the meeting.

ARTICLE III.

Directors

Section 1. Number of Directors. The number of directors of the corporation shall be eight (8). The directors shall be elected at the annual meeting of the stockholders, except as provided in Section 2 of this Article, and each director elected shall hold office until his or her successor is elected and qualified or until the director's earlier death, resignation, disqualification or removal; provided, that any director may be removed at any time, with or without cause, by the holders of a majority of the shares of capital stock entitled to vote, represented in person or by proxy, at any duly constituted meeting of stockholders called for the purpose of removing any such director or directors. Directors need not be residents of the State of Delaware or stockholders of the corporation.

Section 2. Vacancies. Any vacancy occurring in the Board of Directors may be filled by the vote of a majority of the directors then in office though less than a quorum of the Board of Directors. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office. Any newly created directorship(s) resulting from an increase in the authorized number of directors elected by all stockholders entitled to vote as a single class shall be filled by the vote of a majority of the directors then in office, though less than a quorum.

Section 3. Resignations. A director may resign at any time by notice given in writing or by electronic transmission to the corporation. Such resignation shall take effect at the date of receipt of such notice by the corporation or at such later time as is therein specified.

Section 4. Duties of Board of Directors. The business and affairs of the corporation shall be managed by its Board of Directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute, the Certificate of Incorporation, or these Bylaws directed or required to be exercised and done by the stockholders.

Section 5. Locations of Meetings. Meetings of the Board of Directors, regular or special, may be held either within or without the State of Delaware.

Section 6. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and at such place as shall from time to time be determined by the Board of Directors or its Chairman. Written notice of regular meetings of the Board of Directors shall not be required.

Section 7. Special Meetings. Special meetings of the Board of Directors may be held at such time and at such places as may be determined by Chairman of the Board of Directors or the Presiding Director. Special meetings of the Board of Directors may be called upon twenty-four (24) hours' notice to each director, or such shorter period of time as the person calling the meeting deems appropriate in the circumstances, either personally or by email, mail or telephone. Neither the business to be transacted at, nor the purposes of, any special meeting of the Board of Directors need be specified in the notice or waiver of notice of such special meeting.

Section 8. Quorum. A majority of the total number of Directors then fixed pursuant to Section 1 of Article III of these Bylaws shall constitute a quorum for the transaction of business, and the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless a greater number is required by applicable law or the Certificate of Incorporation. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 9. Committees. The Board of Directors may from time to time designate committees of the Board of Directors, with such lawfully delegable powers and duties as it thereby confers, to serve at the pleasure of the Board of Directors and shall, for those committees and any others provided for herein, elect a director or directors to serve as the member or members, designating, if it desires, other directors as alternate members who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of any members of any committee and any alternate member in his or her place, the member or members of the committee present at the meeting and not disqualified from voting, whether or not he or she or they constitute a quorum, may by unanimous vote appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member.

Section 10. Committee Meetings. Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Adequate provision shall be made for notice to members of all meetings. At least one-half of the members shall constitute a quorum, unless a greater percentage is specified in the committee's charter. All matters shall be determined by a majority vote of the members present. Action to be taken by any committee without a meeting if all members thereof consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of the proceedings of such committee. Such filing shall be in proper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

ARTICLE IV.

Notices

Section 1. Notices. If mailed, notices to directors and stockholders shall be in writing and delivered personally or mailed to the directors or stockholders at their addresses appearing on the books of the corporation and such notice shall be deemed to be given when deposited in the United States mail with postage thereon prepaid. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders may be given by electronic transmission in the manner provided in Section 232 of the Delaware General Corporation Law or any successor provision thereto.

Section 2. Waivers. Whenever any notice is required to be given to any stockholder or director under the provisions of the statutes, the Certificate of Incorporation or these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice.

Section 3. Attendance. Attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

ARTICLE V.

Officers

Section 1. Positions. Except as other provided in these Bylaws, all references to officers shall apply to both elected officers and appointed officers. The elected officers of the corporation shall consist of a Chief Executive Officer, President, Chief Financial Officer, a Secretary and a Treasurer and, in addition, one or more Senior Vice Presidents or Vice Presidents, as determined by the Board of Directors. One individual person may hold multiple offices.

Section 2. Appointment. The elected officers, and any other officers which the Board of Directors consider should be elected, shall be appointed or elected by the Board of Directors at its first meeting after each annual meeting of stockholders or at such other time and place determined by the Board and at such other times as determined by the Board of Directors to fill vacancies in elected offices. Such other officers and assistant officers and agents that are not otherwise elected by the Board of Directors may be appointed by the Chief Executive Officer of the corporation, including, with respect to each Business Group, a Chairman, a President, and one or more Vice Presidents.

Section 3. Resignation; Removal. The elected and appointed officers of the corporation shall hold office until their respective successors shall have been appointed or elected pursuant to these Bylaws and shall have qualified or until their earlier death, resignation, disqualification or removal. Any elected officer may be removed from office by a majority vote of the total number of Directors then fixed pursuant to Section 1 of Article III of these Bylaws

with or without cause at any time, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any appointed officer may be removed by the Chief Executive Officer with or without cause at any time, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 4. Chairman. The Chairman of the Board of Directors, if one is elected by the Board of Directors, shall have the powers and duties as shall be prescribed by the Board of Directors. The Chairman of the Board shall preside at all meetings of the stockholders and the Board of Directors, and shall have such other powers and duties as usually pertain to such office or as may be delegated by the Board of Directors.

Section 5. Chief Executive Officer. Unless the Board of Directors shall otherwise delegate such duties, the Chief Executive Officer shall have general supervision, management, direction and control of the business of the corporation, including those listed in Section 2 and Section 3 of this Article, and shall see that all orders and resolutions of the Board of Directors are carried into effect. The Chief Executive Officer or his or her designee shall have the authority to execute bonds, leases, mortgages, promissory notes and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed, and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the corporation. The Chief Executive Officer shall have the general powers and duties of management usually vested in the office of chief executive officer of a corporation and shall perform such other duties and possess such other authority and powers as the Board of Directors may from time to time prescribe.

Section 6. Chief Financial Officer. The Chief Financial Officer shall have general financial supervision, management, direction and control of the business and affairs of the corporation and shall see that all financial orders and resolutions of the Board of Directors are carried into effect. The Chief Financial Officer shall be authorized to execute promissory notes, bonds, mortgages, leases and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the corporation. The Chief Financial Officer shall have the general financial powers and duties of management usually vested in the office of chief financial officer of a corporation and shall perform such other duties and possess such other authority and powers as the Board of Directors, Chief Executive Officer or Chairman of the Board may from time to time prescribe.

Section 7. President. The President shall have the general powers and duties of management usually vested in the office of president (in circumstances where such corporation also maintains the office of chief executive officer) or chief operating officer of a corporation (including the general supervision of the day-to-day operations of the corporation) and shall perform such other duties and possess such other authority and powers as the Board of Directors, Chief Executive Officer or Chairman of the Board may from time to time prescribe.

Section 8. Vice Presidents. Each Vice President shall have such powers and duties as may be assigned to him by the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer and the President. Each Vice President, in the order of their seniority, unless otherwise determined by the Board of Directors, shall, in the absence or disability of the Chief Executive Officer or the President, perform the duties and exercise the powers of the Chief Executive Officer or the President during that officer's absence or inability to act. The Vice Presidents shall also have the authority to execute promissory notes, bonds, mortgages, leases and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed, and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the corporation. Each Vice President shall also perform such other duties and have such other powers as the Board of Directors, Chief Executive Officer or President of the corporation shall prescribe.

Section 9. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and shall record all the proceedings of the meetings of the stockholders and of the Board of Directors in a book to be kept for that purpose and shall perform like duties for the standing committees, when requested. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors. The Secretary shall keep in safe custody the seal of the corporation, and, when authorized by the Board of Directors or directed by the President or any Vice President, affix the same to any instrument requiring it and, when so affixed, it shall be attested by his or her signature or by the signature of the Treasurer or any Assistant Secretary. The Secretary shall also perform such other duties and have such other powers as the Board of Directors, Chief Executive Officer or President of the corporation shall prescribe.

Section 10. Assistant Secretaries. The Assistant Secretaries, in the order of their seniority, unless otherwise determined by the Board of Directors, shall, in the absence or disability of the Secretary, perform the duties and

exercise the powers of the Secretary. The Assistant Secretaries shall also perform such other duties and have such other powers as the Board of Directors, Chief Executive Officer or President of the corporation shall prescribe.

Section 11. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall deposit all monies and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated from time to time by the Board of Directors. The Treasurer shall disburse the funds of the corporation as may be ordered by the Board of Directors or Chief Financial Officer, taking proper vouchers for such disbursements, and shall render to the Chief Financial Officer and the Board of Directors at its regular meetings, or when the Board of Directors so requires, an account of all his or her transactions as Treasurer. If required by the Board of Directors, the Treasurer shall give the corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his or her office and for the restoration to the corporation, in case of his or her death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his or her possession or under his or her control belonging to the corporation. The Treasurer shall also perform such other duties and have such other powers as the Board of Directors, Chief Executive Officer, Chief Financial Officer or President of the corporation shall prescribe.

Section 12. Assistant Treasurers. Each Assistant Treasurer, in the order of their seniority, unless otherwise determined by the Board of Directors, shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer. Each Assistant Treasurer shall also perform such other duties and have such other powers as the Board of Directors, Chief Executive Officer, Chief Financial Officer or President of the corporation shall prescribe.

Section 13. Other Officers. Such other officers and assistant officers and agents as may be deemed necessary may be appointed by the Chief Executive Officer of the corporation, including a Chairman, a President, and one or more Vice Presidents of the respective Business Groups. The President or the Vice Presidents of the Business Group who, in the order of their seniority, unless otherwise determined by the Chief Executive Officer of the corporation, shall perform the duties of the Chairman or President, as the case may be, of the Business Group in the absence or disability of the Chairman or President, as the case may be, of that Business Group. Each President or Vice President, as the case may be, of a Business Group shall perform such other duties and have such other powers as the Chief Executive Officer of the corporation or the Chairman or President, as the case may be, of that Business Group shall prescribe. Business Group officers shall hold office until their respective successors shall have been chosen and shall have qualified or until their earlier death, resignation, disqualification or removal. Any Business Group officer appointed by the Chief Executive Officer may be removed by the Chief Executive Officer with or without cause at any time. Any vacancy occurring in any office of a Business Group by death, resignation, removal or otherwise shall be filled by the Chief Executive Officer of the corporation.

ARTICLE VI.

Indemnification of Directors and Officers

Section 1. Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was or has agreed to become a director or an officer of the corporation or is or was serving or has agreed to serve at the request of the corporation as a director, officer, or trustee of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter, an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer or trustee or in any other capacity while serving as a director, officer or trustee, shall be indemnified and held harmless by the corporation to the fullest extent permitted by Delaware law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than such law permitted the corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith; provided, however, that, except as provided in Section 3 of this Article VI with respect to proceedings to enforce rights to indemnification, the corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the corporation.

Section 2. Right to Advancement of Expenses. In addition to the right to indemnification conferred in Section 1 of this Article VI, an indemnitee shall also have the right to be paid by the corporation the expenses (including attorney's fees) incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any

other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section 2 or otherwise. The Board of Directors, may, in the manner set forth herein, and upon approval of such indemnitee, authorize the corporation's counsel to represent such indemnitee in any action, suit or proceeding, whether or not the corporation is a party to such action, suit or proceeding.

Section 3. Right of Indemnitee to Bring Suit. If a claim under Section 1 or 2 of this Article VI is not paid in full by the corporation within sixty (60) days after a written claim has been received by the corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) business days, the indemnitee may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim. To the fullest extent permitted by law, if successful in whole or in part in any such suit (including, without limitation, if the suit is dismissed without prejudice), or in a suit brought by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) in any suit brought by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the Delaware General Corporation Law. Neither the failure of the corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article VI or otherwise shall be on the corporation.

Section 4. Determination Regarding Standard of Conduct. Any indemnification under this Article VI (unless ordered by a court) shall be paid by the corporation unless a determination is made (1) by the Board of Directors by a majority vote of the directors who were not parties to such action, suit or proceeding, even though less than a quorum, (2) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion or (3) by the stockholders, that indemnification is not proper in the circumstances because the indemnitee has not met the requisite standard of conduct under applicable law.

Section 5. Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses conferred in this Article VI shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the corporation's Certificate of Incorporation, Bylaws, agreement, vote of stockholders or directors or otherwise.

Section 6. Insurance. The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, limited liability company, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

Section 7. Nature of Rights. The rights conferred upon indemnitees in this Article VI shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director, officer or trustee and shall inure to the benefit of the indemnitee's heirs, executors and administrators. Any amendment, alteration or repeal of this Article VI that adversely affects any right of an indemnitee or its successors shall be prospective only and shall not limit, eliminate, or impair any such right with respect to any proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment or repeal.

Section 8. Severability. If this Article VI or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director and officer of the corporation as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in

settlement with respect to any action suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the corporation, to the full extent permitted by any applicable portion of this Article VI that shall not have been invalidated and to the full extent permitted by applicable law.

ARTICLE VII.

Certificates for Shares: Record Dates: Written Consent

Section 1. Certificates for Shares. Shares of stock of the corporation may be certificated or uncertificated as provided under Delaware General Corporation Law. The corporation shall deliver, upon request, certificates representing all shares to which stockholders are entitled; and such certificates shall be signed by the President or a Vice President, and the Secretary or an Assistant Secretary of the corporation, and may be sealed with the seal of the corporation or a facsimile thereof. No certificate shall be issued for any share until the consideration therefor has been fully paid. Each certificate representing shares shall state upon the face thereof that the corporation is organized under the laws of the State of Delaware, the name of the person to whom issued, the number and class and the designation of the series, if any, which such certificate represents, and the par value of each share represented by such certificate or a statement that the shares are without par value. Except as otherwise provided by law, the rights and obligations of holders of uncertificated shares and the rights and obligations of holders of certificated shares of the same class and series shall be identical.

Section 2. Signatures. The signatures of the President or Vice President, and the Secretary or Assistant Secretary, upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent, or registered by a registrar, other than the corporation or an employee of the corporation. In case any officer who has signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer at the date of the issuance.

Section 3. Replacement of Lost Certificates. The Board of Directors may direct a new certificate or certificates to be issued or may register uncertificated shares in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost or destroyed. When authorizing such issue of a new certificate or certificates or the registration of uncertificated shares, the Board of Directors may, in its discretion and as a condition precedent to the issuance or registration thereof, require the owner of such lost or destroyed certificate or certificates, or his or her legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost or destroyed.

Section 4. Transfer of Certificates. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation to issue a new certificate or register uncertificated shares to the person entitled thereto, cancel the old certificate, and record the transaction upon its books. Upon the receipt of proper transfer instructions of uncertificated shares by the holders thereof in person or by their duly authorized legal representatives, such uncertificated shares shall be cancelled, issuance of new equivalent certificated shares or registration of uncertificated shares shall be made to the stockholder entitled thereto and the transaction shall be recorded on the books of the corporation.

Section 5. Record Dates: Written Consent.

(a) Meetings. For the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting. If no record date is fixed by the Board of Directors for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders or any adjournment thereof, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be the close of business on the day next preceding the day on which notice of the meeting of stockholders is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided, however*, that the Board of Directors may fix a new record date for the determination of stockholders entitled to vote at the adjourned meeting and in such case shall also fix the record date for stockholders entitled to notice of such

adjourned meeting the same or an earlier date that is fixed for the determination of stockholders entitled to vote therewith at the adjourned meeting.

(b) Written Consent.

(i) In order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date on which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date and in connection therewith, shall provide the information set forth in Section 5(b)(ii) of Article VII. The Board of Directors shall promptly, but in all events within ten (10) days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board of Directors within ten (10) days of the date upon which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business, or any officer or agent of the corporation having custody of the book in which proceedings of stockholders' meeting are recorded, to the attention of the Secretary of the corporation. Delivery shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

(ii) To be in proper form for purposes of this Section 5, a request by a stockholder for the Board of Directors to fix a record date shall set forth:

- (a) As to any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent, the information set forth in Section 2(b)(i), Section 2(b)(ii), Section 2(b)(iii) (with respect to any written consent for the election or re-election of a director nominee) and Section 2(b)(v) of Article II with respect to such stockholder; and
- (b) As to the action or actions proposed to be taken by written consent, (1) a brief description of the action or actions, the reason for taking such action or actions and any material interest in such action or actions of any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent, (2) the text of the resolutions or consent proposed to be acted upon by written consent of the stockholders, (3) a reasonably detailed description of all agreements, arrangements and understandings between any stockholder and any other person or persons (including their name) in connection with the request or such action or actions and (4) if election of directors is one of the actions proposed to be taken by written consent, as to each person whom any stockholder proposed to be elected or re-elected as a director, the information regarding the nominee as set forth in, or required from the nominee by, Section 2 of Article II.
- (c) In addition to the requirements of this Section 5, any stockholder seeking to take an action by written consent shall comply with all requirements of applicable law, including all of the requirements of the Securities Exchange Act of 1934, as amended, with respect to such action.

(c) Dividends; Distributions. In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date on which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty (60) days prior to such action. If no record date has been fixed by the Board of Directors, the record date for determining stockholders for any such purpose shall be the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 6. Stockholder of Record. The corporation shall be entitled to recognize the exclusive rights of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

ARTICLE VIII.

General Provisions

Section 1. Dividends. The Board of Directors may declare and the corporation may pay dividends on its outstanding shares in cash, property, or its own shares pursuant to law and subject to the provisions of its Certificate of Incorporation.

Section 2. Reserves. Subject to applicable law, the Board of Directors may by resolution create a reserve or reserves out of earned surplus for any purpose or purposes and may abolish any such reserve in the same manner.

Section 3. Reports. The Board of Directors must, when requested by the holders of at least one-third of the outstanding shares of the corporation, present written reports of the business and financial affairs of the corporation.

Section 4. Signatures. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate as provided in these Bylaws.

Section 5. Fiscal Year. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

Section 6. Corporate Seal. The corporate seal shall have inscribed thereon the name of the corporation and may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

Section 7. Conflicts. These Bylaws are adopted subject to any applicable law and the Certificate of Incorporation. Whenever these Bylaws may conflict with applicable law or the Certificate of Incorporation, such conflict shall be resolved in favor of such law or the Certificate of Incorporation.

Section 8. Exclusive Forum. Unless the corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (the "Court of Chancery") shall be the sole and exclusive forum for any stockholder (including a beneficial owner) to bring (i) any derivative action or proceeding brought on behalf of the corporation, (ii) any action asserting a claim of breach of fiduciary duty owed by any director or officer or other employee of the corporation to the corporation or the corporation's stockholders, (iii) any action asserting a claim against the corporation, its directors, officers or employees arising pursuant to any provision of the General Corporation Law of the State of Delaware or the corporation's Certificate of Incorporation or these Bylaws (as either may be amended from time to time), or (iv) any action asserting a claim against the corporation, its directors, officers or employees governed by the internal affairs doctrine, except as to each of (i) through (iv) above, for any claim as to which the Court of Chancery determines that there is an indispensable party not subject to the jurisdiction of the Court of Chancery (and the indispensable party does not consent to the personal jurisdiction of the Court of Chancery within ten days following such determination), which is vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery or for which the Court of Chancery does not have subject matter jurisdiction. If any provision or provisions of this Section 8 of Article VIII shall be held to be invalid, illegal or unenforceable as applied to any person or entity or circumstance for any reason whatsoever, then, to the fullest extent permitted by law, the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Section 8 of Article VIII (including, without limitation, each portion of any sentence of this Section 8 of Article VIII containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) and the application of such provision to other persons or entities and circumstances shall not in any way be affected or impaired thereby

ARTICLE IX.

Amendments

These Bylaws may be altered, amended or repealed at any regular or special meeting of, or by the unanimous written consent of, the Board of Directors.

AMENDMENT NO. 1 TO AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDMENT NO. 1 TO AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") is made as of July 17, 2020, by and among TRINITY INDUSTRIES, INC., a Delaware corporation (the "Borrower"), the lenders listed on the signature pages hereof (the "Lenders"), and JPMORGAN CHASE BANK, N.A., as Administrative Agent (in such capacity, the "Administrative Agent"), under that certain Credit Agreement, dated as of November 1, 2018, by and among the Borrower, the lenders from time to time party thereto and the Administrative Agent (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used but not otherwise defined herein shall have the meaning given to them in the Credit Agreement.

WITNESSETH

WHEREAS, the Borrower, the Lenders and the Administrative Agent are parties to the Credit Agreement;

WHEREAS, the Borrower has requested that the Administrative Agent and the Lenders amend the Credit Agreement on the terms and conditions set forth herein; and

WHEREAS, the Borrower, the Administrative Agent and the requisite number of Lenders have agreed to amend the Credit Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto have agreed to the following:

Section 1. Amendments to the Credit Agreement. Subject to the satisfaction of the conditions precedent set forth in Section 2 below, on the Amendment No.1 Effective Date (as defined below), the Credit Agreement is hereby amended as follows:

(a) The definition of "Applicable Rate" is hereby amended and restated in its entirety to read as follows:

"Applicable Rate" means:

(a) For any day prior to the Amendment No. 1 Effective Date and after the Specified Period, with respect to any Eurocurrency Loan or any ABR Loan or with respect to the commitment fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption "Applicable Rate for Eurocurrency Loans", "Applicable Rate for ABR Loans" or "Commitment Fee", as the case may be, based upon the Pricing Level applicable on such date:

Pricing Level	Leverage Ratio	Commitment Fee	Applicable Rate for Eurocurrency Loans	Applicable Rate for ABR Loans
Level I	< 1.00 to 1.00	0.175%	1.25%	0.25%
Level II	≥ 1.00 to 1.00 but < 2.00 to 1.00	0.20%	1.50%	0.50%
Level III	≥ 2.00 to 1.00 but < 3.00 to 1.00	0.25%	1.75%	0.75%
Level IV	≥ 3.00 to 1.00	0.30%	2.00%	1.00%

(b) For any day occurring during the Specified Period, with respect to any Eurocurrency Loan or any ABR Loan or with respect to the commitment fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption "Applicable Rate for Eurocurrency Loans", "Applicable Rate for

ABR Loans” or “Commitment Fee”, as the case may be, based upon the Pricing Level applicable on such date:

Pricing Level	Leverage Ratio	Commitment Fee	Applicable Rate for Eurocurrency Loans	Applicable Rate for ABR Loans
Level I	< 1.00 to 1.00	0.175%	1.25%	0.25%
Level II	≥ 1.00 to 1.00 but < 2.00 to 1.00	0.20%	1.50%	0.50%
Level III	≥ 2.00 to 1.00 but < 3.00 to 1.00	0.25%	1.75%	0.75%
Level IV	≥ 3.00 to 1.00 but < 4.00 to 1.00	0.35%	2.25%	1.25%
Level V	≥ 4.00 to 1.00	0.40%	2.50%	1.50%

In each case, the Pricing Level shall be determined in accordance with the foregoing tables based on the Borrower’s then-current Leverage Ratio.

If at any time the Borrower fails to deliver the Financials on or before the date the Financials are due pursuant to Section 5.01, the highest then applicable Pricing Level shall be deemed applicable for the period commencing three (3) Business Days after such required date of delivery and ending on the date which is three (3) Business Days after the Financials are actually delivered, after which the Pricing Level shall be determined in accordance with the table above as applicable.

Adjustments, if any, to the Pricing Level then in effect shall be effective three (3) Business Days after the Administrative Agent has received the applicable Financials (it being understood and agreed that each change in Pricing Level shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change).

(b) The definition of “LIBO Rate” is hereby amended and restated in its entirety to read as follows:

“LIBO Rate” means, with respect to (a) any Eurocurrency Loan denominated in any LIBOR Quoted Currency and for any applicable Interest Period, the London interbank offered rate as administered by ICE Benchmark Administration (or any other Person that takes over the administration of such rate) for such LIBOR Quoted Currency for a period equal in length to such Interest Period as displayed on pages LIBOR01 or LIBOR02 of the Reuters screen or, in the event such rate does not appear on either of such Reuters pages, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate as shall be selected by the Administrative Agent from time to time in its reasonable discretion (in each case the “LIBOR Screen Rate”) at approximately 11:00 a.m., London time, on the Quotation Day for such LIBOR Quoted Currency and Interest Period; provided that, (i) if, at any time other than during the Specified Period, the LIBOR Screen Rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement and (ii) if during the Specified Period, the LIBOR Screen Rate shall be less than zero and three tenths percent (0.3%), such rate shall be deemed to be zero and three tenths percent (0.3%) for the purposes of this Agreement and (b) any Eurocurrency Borrowing denominated in any Non-Quoted Currency and for any applicable Interest Period, the applicable Local Screen Rate for such Non-Quoted Currency on the Quotation Day for such Non-Quoted Currency and Interest Period; provided that, if any Local Screen Rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement; provided, further, that if a LIBOR Screen Rate or a Local Screen Rate, as applicable, shall not be available at such time for such Interest Period (the “Impacted Interest Period”), then the LIBOR Screen Rate or Local Screen Rate, as applicable, for such currency and such Interest Period shall be the Interpolated Rate; provided that, if any Interpolated Rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement. It is understood and agreed that all of the terms and conditions of this definition of “LIBO Rate” shall be subject to Section 2.14.

(c) The definition of “Loan Documents” is hereby amended and restated in its entirety to read as follows:

“Loan Documents” means this Agreement, Amendment No. 1, any promissory notes issued pursuant to Section 2.10(e), any Letter of Credit applications, the Subsidiary Guaranty, and all other agreements, instruments, documents and certificates identified in Section 4.01 executed and delivered to, or in favor of, the Administrative Agent or any Lenders and including all other pledges, powers of attorney, consents, assignments, contracts, notices, letter of credit agreements and all other written matter whether heretofore, now or hereafter executed by or on behalf of any Loan Party, or any employee of any Loan Party, and delivered to the Administrative Agent or any Lender in connection

with this Agreement or the transactions contemplated hereby. Any reference in this Agreement or any other Loan Document to a Loan Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements, supplements or other modifications thereto, and shall refer to this Agreement or such Loan Document as the same may be in effect at any and all times such reference becomes operative.

(d) Section 1.01 of the Credit Agreement is hereby amended by inserting the following defined terms in appropriate alphabetical order:

“Amendment No.1” means that certain Amendment No.1 to Amended and Restated Credit Agreement, dated as of July 17, 2020, by and among the Borrower, the Lenders party thereto and the Administrative Agent.

“Amendment No.1 Effective Date” means July 17, 2020.

“BHC Act Affiliate” of a party means an “affiliate” (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

“Consolidated Cash Balance” means, at any time, (a) the aggregate amount of cash and cash equivalents, marketable securities, treasury bonds and bills, certificates of deposit, investments in money market funds, and commercial paper, in each case, held or owned by (either directly or indirectly), credited to the account of or would otherwise be required to be reflected as an asset on the balance sheet of the Borrower and its Restricted Subsidiaries less (b) Excluded Cash.

“Covered Party” has the meaning assigned to such term in Section 9.20.

“Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“Excluded Cash” means (a) any restricted cash or cash equivalents to pay payroll, payroll taxes, other taxes, employee wage and benefit payments of the Borrower and its Restricted Subsidiaries, (b) any restricted cash or cash equivalents to pay trust and fiduciary obligations or other obligations of the Borrower and its Restricted Subsidiaries to third parties, (c) any restricted cash or cash equivalents for which the Borrower or any Restricted Subsidiary has issued checks or has initiated wires or ACH transfers (or, in the Borrower’s discretion, will issue checks or initiate wires or ACH transfers within five (5) Business Days) in order to pay, and (d) any cash or cash equivalents constituting purchase price deposits held in escrow by an unaffiliated third party pursuant to a binding and enforceable purchase and sale agreement with an unaffiliated third party containing customary provisions regarding the payment and refunding of such deposits.

“QFC” has the meaning assigned to the term “qualified financial contract” in, and shall be interpreted in accordance with 12 U.S.C. 5390(c)(8)(D).

“QFC Credit Support” has the meaning assigned to such term in Section 9.20.

“Specified Period” means the period from and including the Amendment No. 1 Effective Date to and including the first date after delivery a compliance certificate, in the form attached hereto as Exhibit E, for a fiscal quarter ending on or after March 31, 2022 that demonstrates compliance with the Leverage Ratio then in effect.

“Supported QFC” has the meaning assigned to such term in Section 9.20.

“U.S. Special Resolution Regime” has the meaning assigned to such term in Section 9.20.

(e) Section 2.02 of the Credit Agreement is hereby amended by inserting a new clause (e) as follows:

(e) The Consolidated Cash Balance on and as of the date of any such Borrowing made in accordance with Sections 2.03 and 2.05 (other than a Borrowing in which the proceeds shall be used to repay an LC Disbursement or a Swingline Loan) shall not exceed \$250,000,000, before and after giving effect to such Borrowing and to the application of the proceeds therefrom on or around such date, but in any event, not to exceed two Business Days after such date.

(f) Section 6.01(k) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(k) in addition to Indebtedness permitted by the foregoing clauses of this Section 6.01, unsecured Indebtedness of the Borrower and its Restricted Subsidiaries, provided that: (i) the maturity of any such Indebtedness extends past the Maturity Date, (ii) no Default has occurred and is continuing at the time such Indebtedness is incurred or would result from the incurrence thereof and (iii) after giving pro forma effect to such Indebtedness, the

Borrower shall be in compliance with the financial covenants set out in Section 6.09 (including, after the Specified Period, any increase in the maximum Leverage Ratio elected by the Borrower pursuant to and in accordance with Section 6.09(a)), as calculated for the fiscal year then most recently ended as if the Indebtedness had been incurred as of the first day of each such period (and to the extent such Indebtedness bears interest at a floating rate, using the rate in effect at the time of calculation for the entire period of calculation).

(g) Section 6.09(a) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(a) **Maximum Leverage Ratio.** The Borrower will not permit the ratio (the “Leverage Ratio”), determined as of the end of each of its fiscal quarters ending on and after the fiscal quarter ending June 30, 2020, of (i) Consolidated Total Indebtedness to (ii) Consolidated EBITDA for the period of four (4) consecutive fiscal quarters ending with the end of such fiscal quarter, all calculated for the Borrower and its Restricted Subsidiaries on a consolidated basis, to be greater than the ratio indicated below; provided that after the end of the Specified Period, as of the last day of the four (4) fiscal quarters following a Qualified Acquisition, the Borrower may elect to permit the Leverage Ratio to be greater than 3.25 to 1.00 but not greater than 3.75 to 1.00 so long as the Borrower has not previously made two such elections during the term of this Agreement.

Fiscal Quarter End Date	Maximum Leverage Ratio
June 30, 2020	3.25:1.00
September 30, 2020	3.75:1.00
December 31, 2020	4.50:1.00
March 31, 2021	4.50:1.00
June 30, 2021	4.00:1.00
September 30, 2021	4.00:1.00
March 31, 2022 and thereafter	3.25:1.00

(h) A new Section 9.20 shall be added as follows:

SECTION 9.20. Acknowledgment Regarding Any Supported QFCs. To the extent that the Loan Documents provide support, through a guarantee or otherwise, for Swap Agreements or any other agreement or instrument that is a QFC (such support “QFC Credit Support” and each such QFC a “Supported QFC”), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the “U.S. Special Resolution Regimes”) in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

In the event a Covered Entity that is party to a Supported QFC (each, a “Covered Party”) becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is

understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

(i) Clause (g) in the Compliance Certificate Worksheet attached to Exhibit E is hereby amended and restated to read as follows:

(g) Maximum Leverage Ratio (from Section 6.09(a)) [3.25:1.00]

[3.75:1.00]

[4.50:1.00]

[4.50:1.00]

[4.00:1.00]

[4.00:1.00]

[3.75:1.00]

[3.25:1.00]

Section 2. Amendment Effective Date; Conditions Precedent. This Amendment shall become effective on the date on which the following conditions have been satisfied or waived (the "Amendment No.1 Effective Date"):

(a) the Administrative Agent shall have received a counterpart of this Amendment executed by the Borrower, the Administrative Agent and each of the Required Lenders;

(b) the representations and warranties contained in Section 3 hereof shall be true and correct;

(c) the Administrative Agent and the Lenders shall have received all other fees and amounts due and payable on or prior to the Amendment No. 1 Effective Date, including, to the extent invoiced, reimbursement or payment of all reasonable expenses required to be reimbursed or paid by the Borrower under the Credit Agreement (including, without limitation, the reasonable and documented out-of-pocket fees and expenses of Sidley Austin LLP, counsel to the Administrative Agent); and

(d) the Administrative Agent shall have received such other documents, instruments and agreements as the Administrative Agent shall reasonably request.

Section 3. Representations and Warranties and Reaffirmations of the Borrower.

(a) The Borrower hereby represents and warrants that (i) this Amendment and the Credit Agreement as previously executed and as modified hereby constitute legal, valid and binding obligations of the Borrower and are enforceable against the Borrower in accordance with their terms (except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally), and (ii) after giving effect to this Amendment on the Amendment No.1 Effective Date, no Default or Event of Default has occurred and is continuing.

(b) The Borrower hereby represents and warrants that the representations and warranties of the Borrower set forth in the Loan Documents are true and correct in all material respects (without duplication of any materiality qualifiers set forth therein) on and as of the Amendment No.1 Effective Date after giving effect to this Amendment, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct in all material respects (or, in the case of any representation or warranty already qualified by materially, in any respect) as of such earlier date, and except that the representations and warranties contained in Sections 3.04(a)(i) and (a)(ii) of the Credit Agreement shall be deemed to refer to the most recent statements furnished pursuant to Sections 5.01(a) and (b) of the Credit Agreement, respectively.

(c) Upon the effectiveness of this Amendment and after giving effect hereto, the Borrower hereby reaffirms all covenants and other agreements set forth in the Credit Agreement as modified hereby. [Note: "Remaking" concept only applies to the representations and warranties, which are covered by clause (b) above.]

Section 4. Reference to the Effect on the Credit Agreement.

(a) Upon the effectiveness of Section 1 hereof, on and after the date hereof, each reference in the Credit Agreement (including any reference therein to "this Credit Agreement," "this Agreement," "hereunder," "hereof,"

"herein" or words of like import referring thereto) or in any other Loan Document shall mean and be a reference to the Credit Agreement as modified hereby.

(b) Except as specifically modified above, the Credit Agreement and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect, and are hereby ratified and confirmed.

(c) Except as expressly set forth herein, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement or any other documents, instruments and agreements executed and/or delivered in connection therewith.

(d) Upon satisfaction of the conditions set forth in Section 2 hereof and the execution hereof by the Borrower, the Lenders and the Administrative Agent, this Amendment shall be binding upon all parties to the Credit Agreement.

(e) This Amendment shall constitute a Loan Document.

Section 5. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.. EACH OF THE PARTIES TO THIS AMENDMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 6. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

Section 7. Counterparts. This Amendment may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Amendment by telecopy, e-mailed .pdf or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Amendment.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first above written.

TRINITY INDUSTRIES, INC.,
as the Borrower

By /s/ John Lee
Name: John Lee
Title: VP Finance & Treasurer

Signature Page to Amendment No. 1 to Amended and Restated Credit Agreement
Trinity Industries, Inc.

JPMORGAN CHASE BANK, N.A., individually as a Lender and as
Administrative Agent

By: /s/ Kody J. Nerios

Name: Kody J. Nerios
Title: Authorized Officer

Signature Page to Amendment No. 1 to Amended and Restated Credit Agreement
Trinity Industries, Inc.

BANK OF AMERICA, N.A.,
as a Lender

By: /s/ Allison W. Connally
Name: Allison W. Connally
Title: Senior Vice President

Signature Page to Amendment No. 1 to Amended and Restated Credit Agreement
Trinity Industries, Inc.

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Richard T. Zell
Name: Richard T. Zell
Title: Director

Signature Page to Amendment No. 1 to Amended and Restated Credit Agreement
Trinity Industries, Inc.

TRUIST BANK, as successor by merger to SUNTRUST BANK,
as a Lender

By: /s/ Sarah Salmon
Name: Sarah Salmon
Title: Senior Vice President

Signature Page to Amendment No. 1 to Amended and Restated Credit Agreement
Trinity Industries, Inc.

TRUIST BANK, formerly known as BRANCH BANKING & TRUST
COMPANY,
as a Lender

By: /s/ Sarah Salmon
Name: Sarah Salmon
Title: Senior Vice President

Signature Page to Amendment No. 1 to Amended and Restated Credit Agreement
Trinity Industries, Inc.

REGIONS BANK, as a Lender

By: /s/ Joe Dancy

Name: Joe Dancy

Title: Senior Vice President

Signature Page to Amendment No. 1 to Amended and Restated Credit Agreement
Trinity Industries, Inc.

FIFTH THIRD BANK, NATIONAL ASSOCIATION
as a Lender

By: /s/ Kelly Shield
Name: Kelly Shield
Title: Director

Signature Page to Amendment No. 1 to Amended and Restated Credit Agreement
Trinity Industries, Inc.

AMEGY BANK, A DIVISION OF ZIONS BANCORPORATION, N.A.,
as a Lender

By: /s/ Kathy W. Magee
Name: Kathy W. Magee
Title: SVP

**FIRST AMENDMENT
TO THE
FOURTH AMENDED AND RESTATED
TRINITY INDUSTRIES, INC. 2004 STOCK OPTION AND INCENTIVE PLAN**

This FIRST AMENDMENT TO THE FOURTH AMENDED AND RESTATED TRINITY INDUSTRIES, INC. 2004 STOCK OPTION AND INCENTIVE PLAN (this "Amendment"), dated as of May 5, 2020, is made and entered into by Trinity Industries, Inc., a Delaware corporation (the "Company"). Terms used in this Amendment with initial capital letters that are not otherwise defined herein shall have the meanings ascribed to such terms in the Fourth Amended and Restated Trinity Industries, Inc. 2004 Stock Option and Incentive Plan (the "Plan").

RECITALS

WHEREAS, Section 24 of the Plan provides that the Board of Directors of the Company (the "Board") may amend the Plan at any time and from time to time;

WHEREAS, the Board desires to amend the Plan to clarify the minimum vesting requirements with respect to grants of Awards to non-employee directors of the Company; and

WHEREAS, as of the date hereof, the Board resolved that this Amendment to the Plan be adopted.

NOW, THEREFORE, in accordance with Section 24 of the Plan, the Company hereby amends the Plan, effective as of the date hereof, as follows:

1. *Section 22 of the Plan is hereby amended by deleting said section in its entirety and substituting in lieu thereof the following new Section 22:*

22. Limitation on Vesting of Certain Awards.

(a) Notwithstanding any other provisions of the Plan to the contrary, but subject to Sections 20 and 21 of the Plan and except as provided in Section 22(b), Awards payable in the form of Shares shall be subject to the minimum vesting provisions set forth in this Section 22(a); provided however, that such Awards may vest on an accelerated basis, regardless of the minimum vesting provisions, in the event of a participant's death, Disability, or Retirement, or in the event of a Change in Control. All such Awards shall have a minimum vesting period of no less than one (1) year; **provided that, with respect to grants of Awards made on or around the date of an annual stockholders meeting to non-employee directors, such one (1) year vesting period shall be deemed satisfied if such Awards vest on the earlier of the first anniversary of the date of grant or the first annual stockholders meeting following the date of grant (but not less than fifty (50) weeks following the date of grant).** If the vesting of such an Award granted to an employee or a Consultant is not subject to performance conditions, such Award shall have a minimum vesting period of no less than three years, with periodic vesting over such period, provided that, the first vesting date shall occur no earlier than the first anniversary of the date such Award is granted.

(b) The provisions of Section 22(a) notwithstanding, up to five percent (5%) of the Shares authorized under the Plan may be granted as Awards without meeting the minimum vesting requirements set out in Section 22(a).

2. *Except as expressly amended by this Amendment, the Plan shall continue in full force and effect in accordance with the provisions thereof.*

IN WITNESS WHEREOF, the Company has caused this Amendment to be duly executed as of the date first written above.

TRINITY INDUSTRIES, INC.

By: /s/ David DelVecchio
Name: David DelVecchio
Title: VP & CHRO

List of Guarantor Subsidiaries

As of September 30, 2020, the following subsidiaries of Trinity Industries, Inc. (the "Parent") are guarantors of the Parent's 4.55% senior notes due 2024:

Trinity Industries Leasing Company
Trinity North American Freight Car, Inc.
Trinity Rail Group, LLC
Trinity Tank Car, Inc.
Trinity Highway Products, LLC
TrinityRail Maintenance Services, Inc.

CERTIFICATION

I, E. Jean Savage, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Trinity Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2020

/s/ E. Jean Savage

E. Jean Savage
Chief Executive Officer and President

CERTIFICATION

I, Eric R. Marchetto, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Trinity Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2020

/s/ Eric R. Marchetto

Eric R. Marchetto
Executive Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Trinity Industries, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, E. Jean Savage, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company, as of, and for, the periods presented in the Report.

/s/ E. Jean Savage

E. Jean Savage
Chief Executive Officer and President
October 26, 2020

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Trinity Industries, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric R. Marchetto, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company, as of, and for, the periods presented in the Report.

/s/ Eric R. Marchetto

Eric R. Marchetto
Executive Vice President and Chief Financial Officer
October 26, 2020

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.