FreightCar America, Inc.
Form 10-K
March 14, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2013

or

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

Commission file number: 000-51237

FREIGHTCAR AMERICA, INC.

(Exact name of registrant as specified in its charter)

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

(800) 458-2235

(Registrant s telephone number, including area code)

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

Title of class	**Name of Each Exchange on Which Registered**
Common stock, par value $0.01 per share	**Nasdaq Global Market**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ¨ NO x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ¨ NO x

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K. ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x NO ¨

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

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

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

The aggregate market value of the registrant s common stock held by non-affiliates of the registrant as of June 30, 2013 was $197.3 million, based on the closing price of $16.99 per share on the Nasdaq Global Market.

As of March 5, 2014, there were 12,055,978 shares of the registrant s common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Documents	**Part of Form 10-K**
Portions of the registrant s definitive Proxy Statement for the 2014 annual meeting of stockholders to be filed pursuant to Regulation 14A within 120 days of the end of the registrant s fiscal year ended December 31, 2013.	Part III

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FREIGHTCAR AMERICA, INC.

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PART I

Item 1. Business.

OVERVIEW

We and our predecessors have been manufacturing railcars since 1901. We are the leading manufacturer of aluminum-bodied railcars in North America, based on the number of railcars delivered. We have historically specialized in the production of coal cars, which represented 68% of our deliveries of railcars in 2013 and 91% of our deliveries of railcars in 2012. Our BethGon® railcar has been the leading aluminum-bodied coal car sold in North America for over 20 years. Over the last 25 years, we believe we have built and introduced more types of coal cars than all other manufacturers in North America combined. The balance of our production consisted of a broad spectrum of railcar types that transport non-liquid commodities and products.

Our railcar manufacturing facilities are located in Cherokee, Alabama (Shoals), Danville, Illinois and Roanoke, Virginia. The Shoals facility, our new state-of-the-art production facility, was designed to efficiently build a wide variety of railcar types. Based on our backlog for coal car orders as of December 31, 2013 our Danville facility is idle but remains available to resume operations if more coal car production capacity is needed. The Shoals facility is an important part of our long-term growth strategy as we continue to expand our railcar product and service offerings outside of our traditional coal car market. While our Danville and Roanoke facilities will continue to support our coal car products, the Shoals facility will allow us to produce a broader variety of railcars in a cost-effective and efficient manner. In addition, the facility layout, automated production equipment, proximity to key suppliers and new supply agreements will increase our flexibility and make us more competitive in the marketplace.

We also refurbish and rebuild railcars and sell forged, cast and fabricated parts for all of the railcars we produce, as well as those manufactured by others. FreightCar Rail Services, LLC (FCRS) provides railcar repair and maintenance and inspections for all types of freight railcars. FCRS has repair and maintenance and inspection facilities in Grand Island, Nebraska and Hastings, Nebraska and services freight cars and unit coal trains utilizing key rail corridors in the Midwest and Western regions of the United States. As part of our strategic initiative to improve the contribution of our services business to our results of operations, we evaluated the long-term profitability of each of our railcar maintenance and repair shops during the fourth quarter of 2013. As a result of this analysis we decided to close our underperforming maintenance and repair shop in Clinton, Indiana. We also lease freight cars through our JAIX Leasing Company subsidiary.

Our primary customers are railroads, financial institutions and shippers, which represented 84%, 4% and 2%, respectively, of our total sales attributable to each type of customer for the year ended December 31, 2013. In the year ended December 31, 2013, we delivered 3,821 railcars, including 2,589 coal cars. Our total backlog of firm orders for railcars increased from 2,881 railcars as of December 31, 2012 to 6,826 railcars as of December 31, 2013. Our backlog as of December 31, 2013 includes a variety of railcar types and 45% of our backlog at December 31, 2013 consisted of orders for non-coal cars. The estimated sales value of the backlog is $198 million and $492 million, respectively, as of December 31, 2012 and 2013. We offer railcar leasing and refurbishment alternatives to our customers, an approach designed to enhance our position as a full service provider to the railcar industry. Although we continually look for opportunities to package our leased assets for sale to our leasing company partners, these leased assets may not be converted to sales, and may remain revenue producing assets into the foreseeable future.

Our Internet website is www.freightcaramerica.com. We make available, free of charge, on or through our website items related to corporate governance, including, among other things, our corporate governance guidelines, charters of various committees of the Board of Directors and our code of business conduct and ethics. Our annual reports on

Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments thereto, are available on our website and on the SEC s website at www.sec.gov. Any stockholder of our company may also obtain copies of these documents, free of charge, by sending a request in writing to Investor Relations at FreightCar America, Inc., Two North Riverside Plaza, Suite 1300, Chicago, Illinois 60606.

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OUR PRODUCTS AND SERVICES

We design and manufacture aluminum-bodied and steel-bodied railcars that transport a variety of different non-liquid products. The types of railcars listed below include the major types of railcars that we are capable of manufacturing; however, some of the types of railcars listed below have not been ordered by any of our customers or manufactured by us in a number of years. We refurbish and rebuild railcars and sell forged, cast and fabricated parts for all of the railcars we produce, as well as those manufactured by others. We also provide general railcar repair and maintenance and inspections for all types of freight-carrying railcars. Many of our railcars are produced using a patented one-piece center sill, the main longitudinal structural component of the railcar. The one-piece center sill provides a higher carrying capacity, but weighs significantly less than traditional multiple-piece center sills. In addition to railcars designed for use in North America, we have manufactured railcars for export to Latin America and the Middle East. Railroads outside of North America are constructed with a variety of track gauges that are sized differently than in North America, which requires us, in some cases, to alter our manufacturing specifications accordingly.

Any of the railcar types listed below may be further developed to meet the characteristics of the materials being transported and customer specifications.

Stainless Steel and Hybrid Stainless Steel/Aluminum Coal Cars. We manufacture a series of stainless steel and hybrid stainless steel and aluminum AutoFlood and BethGon coal cars designed to serve the Eastern railroads. These coal cars are designed to withstand the rigors of Eastern coal transportation service. They offer a unique balance of maximized payload, light weight, efficient unloading and long service life.

Aluminum Coal Cars. The BethGon® is the leader in the aluminum-bodied coal gondola railcar segment. Since we introduced the steel BethGon railcar in the late 1970s and the aluminum BethGon railcar in 1986, the BethGon railcar has become the most widely used coal car in North America. Our current BethGon II features lighter weight, higher capacity and increased durability suitable for long-haul coal carrying railcar service. We have received several patents on the features of the BethGon II and continue to explore ways to increase the BethGon II s capacity and reliability.

Our aluminum bodied open-top hopper railcar, the AutoFlood , is a five-pocket coal car equipped with a bottom discharge gate mechanism. We began manufacturing AutoFlood railcars in 1984, and introduced the AutoFlood II and AutoFlood III designs in 1996 and 2002, respectively. Both the AutoFlood II and AutoFlood III design incorporate the automatic rapid discharge system, the MegaFlo door system, a patented mechanism that uses an over-center locking design, enabling the cargo door to close with tension rather than by compression. Further, AutoFlood railcars can be equipped with rotary couplers to permit rotary unloading.

VersaFlood Series. Our VersaFlood series open-top hopper railcars includes steel, stainless steel or hybrid steel and aluminum-bodied designs equipped with three-pocket (transverse gate) or two-pocket (longitudinal gate) discharge door systems with independent or fully automatic door operation. The VersaFlood product series offers versatile design options for transportation of aggregates, sand or minerals.

Dynastack Series. Our domestic intermodal doublestack railcar product offerings include a stand-alone 40 foot well car, the DynaStack® articulated, 5-unit, 40 foot and the DynaStack® 3-unit, 53 foot well cars for transportation of international and domestic containers.

Other Railcar Types. Our portfolio of railcar types also includes: aluminum-bodied flat-bottom gondola railcars and steel or stainless steel-bodied triple hopper railcars for coal and coke service; Small Cube Covered Hopper railcars primarily used to transport cement, sand, roofing granules and fly ash; 52 and 66 Mill Gondola railcars used to transport steel products and scrap; Slab and Coil steel railcars designed specifically for transportation of steel slabs and coil steel products, respectively; Flat railcars, Bulkhead Flat railcars and Centerbeam Flat railcars designed to transport a variety of products, including machinery and equipment, steel and structural steel components (including pipe), forest products and other bulky industrial products; a Woodchip Gondola railcar designed to haul woodchips and municipal waste or other high-volume, low-density commodities; and a variety of non-coal carrying open top hopper railcars designed to carry ballast, iron ore, taconite pellets, petroleum coke and other bulk commodities; the AVC Aluminum Vehicle Carrier design used to transport commercial and light vehicles (automobiles and trucks) from assembly plants and ports to rail distribution centers; and the Articulated Bulk Container railcar designed to carry dense bulk products such as waste products in 20 foot containers.

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We have added 11 new or redesigned products to our portfolio in the last five years, including mill gondolas, slab and coil steel railcars, triple hoppers and hybrid aluminum/stainless steel railcars, ore cars, ballast cars, aggregate cars (with independent or fully automatic transverse or longitudinal door systems), coil gondolas, intermodal flats (including the 3-unit, 53-foot well cars) and non-intermodal flat cars (including ribbon rail and bulkhead flats). Focused product development activity continues in areas where we can leverage our technical knowledge base and capabilities to realize market opportunities.

With operations in Indiana and Nebraska, we service freight cars and unit coal trains utilizing key rail corridors in the Midwest and Western regions of the United States. Separately, we also sell forged, cast and fabricated replacement parts for all of the railcars we produce, as well as those manufactured by others.

MANUFACTURING

We have railcar production facilities in Cherokee, Alabama, Danville, Illinois and Roanoke, Virginia. Our facilities are each certified or approved for certification by the Association of American Railroads (the AAR), which sets railcar manufacturing industry standards for quality control. We will continue to adjust salaried and hourly labor personnel levels at our facilities to coincide with production requirements. Our Shoals manufacturing facility delivered its first railcars during the fourth quarter of 2013. The build-out and ramp-up of the Shoals facility will be completed by mid-2014. This facility will provide a solid platform from which to pursue a broad range of non-coal car business including intermodal well cars, non-intermodal flat cars and various open-top hopper, covered hopper and gondola cars.

Our manufacturing process involves four basic steps: fabrication, assembly, finishing and inspection. Each of our facilities has numerous checkpoints at which we inspect products to maintain quality control, a process that our operations management continuously monitors. In our fabrication processes, we employ standard metal working tools, many of which are computer controlled. Each assembly line typically involves 15 to 20 manufacturing positions, depending on the complexity of the particular railcar design. We use mechanical fastening in the fitting and assembly of our aluminum-bodied railcar parts, while we typically use welding for the assembly of our steel-bodied railcars. For aluminum-bodied railcars, we begin the finishing process by cleaning the railcar s surface and then applying the decals. In the case of steel-bodied railcars, we begin the finishing process by blasting the surface area of the railcar, painting it and then applying decals. Once we have completed the finishing process, our employees, along with representatives of the customer purchasing the particular railcars, inspect all railcars for adherence to specifications.

CUSTOMERS

We have strong long-term relationships with many large purchasers of railcars. Long-term customer relationships are particularly important in the railcar industry, given the limited number of buyers of railcars.

Our customer base consists mostly of North American railroads, financial institutions and shippers. We believe that our customers preference for reliable, high-quality products, the relatively high cost for customers to switch manufacturers, our technological leadership in developing and enhancing innovative products and the competitive pricing of our railcars have helped us maintain our long-standing relationships with our customers.

In 2013, revenue from three customers, Norfolk Southern Railway Company, CSX Transportation Inc. and Canadian National Railway Company, accounted for approximately 45%, 12% and 6%, respectively, of total revenue. In 2013, sales to our top five customers accounted for approximately 70% of total revenue. Our railcar sales to customers outside the United States were $21.4 million in 2013. While we maintain strong relationships with our customers and we serve over 70 active customers, many customers do not purchase railcars every year since railcar fleets are not necessarily replenished or augmented every year. The size and frequency of railcar orders often results in a small number of customers representing a significant portion of our sales in a given year.

SALES AND MARKETING

Our direct sales group is organized geographically and consists of regional sales managers and contract administrators, a manager of customer service and support staff. The regional sales managers are responsible for managing customer relationships. Our contract administrators are responsible for preparing proposals and other inside sales activities. Our manager of customer service is responsible for after-sale follow-up and in-field product performance reviews.

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RESEARCH AND DEVELOPMENT

We utilize the latest engineering methods, tools and processes to ensure that new products and processes meet our customers requirements and are delivered in a timely manner. We develop and introduce new railcar designs as a result of a combination of customer feedback and close observation of developing market trends. We work closely with our customers to better understand their expectations and design railcars that meet their needs. New product designs are tested and validated for compliance with AAR standards prior to introduction. This comprehensive approach provides the criteria and direction that ensure we are developing the products that our customers desire and perform as expected. Costs associated with research and development are expensed as incurred and totaled $0.4 million, $0.4 million and $2.0 million for the years ended December 31, 2013, 2012 and 2011, respectively.

BACKLOG

We define backlog as the value of those products or services which our customers have committed in writing to purchase from us or lease from us when built, but which have not yet been recognized as sales. Our contracts may include cancellation clauses under which customers are required, upon cancellation of the contract, to reimburse us for costs incurred in reliance on an order and to compensate us for lost profits. However, customer orders may be subject to customer requests for delays in railcar deliveries, inspection rights and other customary industry terms and conditions, which could prevent or delay backlog from being converted into sales.

The following table depicts our reported railcar backlog in number of railcars and estimated future sales value attributable to such backlog, for the periods shown.

	Year Ended December 31,		
	2013	**2012**	**2011**
Railcar backlog at start of period	2,881	8,303	2,054
Railcars delivered	(3,821)	(8,325)	(6,188)
Railcar orders	7,766	2,903	12,437
Railcar backlog at end of period	6,826	2,881	8,303
Estimated revenue from backlog at end of period (in thousands) [(1)]	$ 492,018	$ 197,597	$ 559,824

(1) Estimated revenue from backlog reflects the total revenue attributable to the backlog reported at the end of the particular period as if such backlog were converted to actual sales. Estimated revenue from backlog does not reflect potential price increases and decreases under customer contracts that provide for variable pricing based on changes in the cost of raw materials. Although we continually look for opportunities to package our leased assets for sale to our leasing company partners, these leased assets may not be converted to sales.

Although our reported backlog is typically converted to sales within one year, our reported backlog may not be converted to sales in any particular period, if at all, and the actual sales from these contracts may not equal our reported backlog estimates. See Item 1A. Risk Factors Risks Related to Our Business The level of our reported backlog may not necessarily indicate what our future sales will be and our actual sales may fall short of the estimated sales value attributed to our backlog. In addition, due to the large size of railcar orders and variations in the mix of railcars, the size of our reported backlog at the end of any given period may fluctuate significantly. See Item 1A. Risk

Factors Risks Related to the Railcar Industry The variable purchase patterns of our customers and the timing of completion, delivery and customer acceptance of the railcar may cause our revenues and income from operations to vary substantially each quarter, which will result in significant fluctuations in our quarterly results.

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SUPPLIERS AND MATERIALS

The cost of raw materials and components represents a substantial majority of the manufacturing costs of most of our railcar product lines. As a result, the management of raw materials and components purchasing is critical to our profitability. We enjoy generally strong relationships with our suppliers, which helps to ensure access to supplies when railcar demand is high.

Our primary aluminum suppliers are Sapa Extrusions and Constellium (formerly Alcan Inc.). Aluminum prices generally are fixed at the time a railcar order is accepted, mitigating the effect of future fluctuations in prices. Our primary stainless steel supplier is Crompion International.

Our primary component suppliers include Amsted Industries, Inc. which supplies us with truck components, brake components, couplers and bearings and Summit Railroad products, Inc. which supplies us with axles and wheels. Roll Form Group, a division of Samuel, Son & Co., Limited, is the sole supplier of our roll-formed center sills, which were used in 68% and 98% of our new railcars produced in 2013 and 2012, respectively. A center sill is the primary structural component of a railcar. In addition, during 2013, we entered into an agreement with International Truck and Engine Investments Corporation, an affiliate of Navistar, Inc., pursuant to which it has contracted to supply us with various fabricated parts, components and subassemblies as well as providing truck and wheel and axle assembly services and blast and paint finishing services. Other suppliers provide brake systems, castings, bearings, fabrications and various other components. The railcar industry is subject to supply constraints for some of the key railcar components. See Item 1A. Risk Factors Risks Related to the Railcar Industry Limitations on the supply of railcar components could adversely affect our business because they may limit the number of railcars we can manufacture.

Except as described above, there are usually at least two suppliers for each of our raw materials and specialty components. No single supplier accounted for more than 11% and 22% of our total purchases in 2013 and 2012, respectively. Our top ten suppliers accounted for 60% and 67% of our total purchases in 2013 and 2012, respectively.

COMPETITION

We operate in a highly competitive marketplace. Competition is based on price, delivery timing, product design, reputation for product quality and customer service and support.

We have four principal competitors in the North American railcar market that primarily manufacture railcars for third-party customers, which are Trinity Industries, Inc., The Greenbrier Companies, Inc., American Railcar Industries, Inc. and National Steel Car Limited.

Competition in the North American market from railcar manufacturers located outside of North America is limited by, among other factors, high shipping costs and familiarity with the North American market.

INTELLECTUAL PROPERTY

We have several U.S. and international patents and pending applications, registered trademarks, copyrights and trade names. Key patents include our one-piece center sill, our MegaFlo door system and our top chord and side stake for coal cars. The protection of our intellectual property is important to our business.

EMPLOYEES

As of December 31, 2013, we had 819 employees, of whom 181 were salaried and 638 were hourly wage earners, and approximately 138, or 17%, of our employees were members of unions. As of December 31, 2012, we had 918 employees, of whom 182 were salaried and 736 were hourly wage earners, and approximately 380, or 41%, of our employees were members of unions. See Item 1A. Risk Factors Risks Related to Our Business Labor disputes could disrupt our operations and divert the attention of our management and may have a material adverse effect on our operations and profitability.

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REGULATION

The Federal Railroad Administration, or FRA, administers and enforces U.S. federal laws and regulations relating to railroad safety. These regulations govern equipment and safety compliance standards for freight railcars and other rail equipment used in interstate commerce. The AAR promulgates a wide variety of rules and regulations governing safety and design of equipment, relationships among railroads with respect to freight railcars in interchange and other matters. The AAR also certifies freight railcar manufacturers and component manufacturers that provide equipment for use on railroads in the United States as well as providers of railcar repair and maintenance services. New products must generally undergo AAR testing and approval processes. As a result of these regulations, we must maintain certifications with the AAR as a freight railcar manufacturer and provider of railcar repair and maintenance services, and products that we sell must meet AAR and FRA standards.

We are also subject to oversight in other jurisdictions by foreign regulatory agencies and to the extent that we expand our business internationally, we will increasingly be subject to the regulations of other non-U.S. jurisdictions.

ENVIRONMENTAL MATTERS

We are subject to comprehensive federal, state, local and international environmental laws and regulations relating to the release or discharge of materials into the environment, the management, use, processing, handling, storage, transport or disposal of hazardous materials, or otherwise relating to the protection of human health and the environment. These laws and regulations not only expose us to liability for our own negligent acts, but also may expose us to liability for the conduct of others or for our actions that were in compliance with all applicable laws at the time these actions were taken. In addition, these laws may require significant expenditures to achieve compliance, and are frequently modified or revised to impose new obligations. Civil and criminal fines and penalties may be imposed for non-compliance with these environmental laws and regulations. Our operations that involve hazardous materials also raise potential risks of liability under the common law.

Environmental operating permits are, or may be, required for our operations under these laws and regulations. These operating permits are subject to modification, renewal and revocation. We regularly monitor and review our operations, procedures and policies for compliance with these laws and regulations. Despite these compliance efforts, risk of environmental liability is inherent in the operation of our businesses, as it is with other companies engaged in similar businesses. We believe that our operations and facilities are in substantial compliance with applicable laws and regulations and that any noncompliance is not likely to have a material adverse effect on our operations or financial condition.

Future events, such as changes in or modified interpretations of existing laws and regulations or enforcement policies, or further investigation or evaluation of the potential health hazards of products or business activities, may give rise to additional compliance and other costs that could have a material adverse effect on our financial condition and operations. In addition, we have in the past conducted investigation and remediation activities at properties that we own to address historic contamination. To date, such costs have not been material. Although we believe we have satisfactorily addressed all known material contamination through our remediation activities, there can be no assurance that these activities have addressed all historic contamination. The discovery of historic contamination or the release of hazardous substances into the environment could require us in the future to incur investigative or remedial costs or other liabilities that could be material or that could interfere with the operation of our business.

In addition to environmental laws, the transportation of commodities by railcar raises potential risks in the event of a derailment or other accident. Generally, liability under existing law in the United States for a derailment or other accident depends on the negligence of the party, such as the railroad, the shipper or the manufacturer of the railcar or its components. However, for the shipment of certain hazardous commodities, strict liability concepts may apply.

Item 1A. Risk Factors.

The factors described below are the principal risks that could materially adversely affect our operating results and financial condition. Other factors may exist that we do not consider significant based on information that is currently available. In addition, new risks may emerge at any time, and we cannot predict those risks or estimate the extent to which they may affect us.

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RISKS RELATED TO THE RAILCAR INDUSTRY

We operate in a highly cyclical industry, and our industry and markets are influenced by factors that are beyond our control, including U.S. and international economic conditions. Such factors could adversely affect demand for our railcar offerings.

Historically, the North American railcar market has been highly cyclical and we expect it to continue to be highly cyclical. During the previous industry cycle, industry-wide railcar deliveries declined from a peak of 74,729 railcars in 2006 to a low of 16,535 railcars in 2010. During this period, our railcar production declined from approximately 18,764 railcars in 2006 to 2,229 railcars in 2010. Our industry and the markets for which we supply railcars are influenced by factors that are beyond our control, including U.S. and international economic conditions. Downturns in economic conditions could result in lower sales volumes, lower prices for railcars and a loss of profits. The cyclicality of the markets in which we operate may adversely affect our operating results and cash flow. In addition, fluctuations in the demand for our railcars may cause comparisons of our sales and operating results between different fiscal years to be less meaningful as indicators of our future performance.

We operate in a highly competitive industry and we may be unable to compete successfully against other railcar manufacturers.

We operate in a competitive marketplace and face substantial competition from established competitors in the railcar industry in North America. We have four principal competitors that primarily manufacture railcars for third-party customers. Some of these manufacturers have greater financial and technological resources than us, and they may increase their participation in the railcar segments in which we compete. In addition to price, competition is based on delivery timing, product performance and technological innovation, quality, customer service and other factors. In particular, technological innovation by any of our existing competitors, or new competitors entering any of the markets in which we do business, could put us at a competitive disadvantage and impair our ability to compete successfully against other railcar manufacturers or retain our market share in our established markets. Increased competition for the sales of our railcar products could result in price reductions, reduced margins and loss of market share, which could negatively affect our prospects, business, financial condition and results of operations.

We depend upon a small number of customers that represent a large percentage of our sales. The loss of any single customer, or a reduction in sales to any such customer, could have a material adverse effect on our business, financial condition and results of operations.

Since railcars are typically sold pursuant to large, periodic orders, a limited number of customers typically represent a significant percentage of our railcar sales in any given year. Over the last five years, our top five customers in each year based on sales accounted for, in the aggregate, approximately 72% of our total sales for the five-year period. In 2013, sales to our top three customers accounted for approximately 45%, 12% and 6%, respectively, of our total sales. In 2012, sales to our top three customers accounted for approximately 28%, 22% and 14%, respectively, of our total sales. Although we have long-standing relationships with many of our major customers, the loss of any significant portion of our sales to any major customer, the loss of a single major customer or a material adverse change in the financial condition of any one of our major customers could have a material adverse effect on our business, financial condition and results of operations.

The variable purchase patterns of our customers and the timing of completion, delivery and customer acceptance of orders may cause our revenues and income from operations to vary substantially each quarter, which will result in significant fluctuations in our quarterly results.

Most of our individual customers do not make purchases every year, since they do not need to replace, replenish or increase their railcar fleets on a yearly basis. Many of our customers place orders for products on an as-needed basis, sometimes only once every few years. As a result, the order levels for railcars, the mix of railcar types ordered and the railcars ordered by any particular customer have varied significantly from quarterly period to quarterly period in the past and may continue to vary significantly in the future. Therefore, our results of operations in any particular quarterly period may be significantly affected by the number of railcars delivered and product mix of railcars delivered in any given quarterly period. Additionally, because we record the sale of a new and rebuilt railcar at the time (1) we complete production, (2) the railcar is accepted by the customer following inspection, (3) the risk for any damage or loss with respect to the railcar passes to the customer, and (4) title to the railcar transfers to the customer, and not when the order is taken, the timing of the completion, delivery and acceptance of significant customer orders will have a considerable effect on fluctuations in our quarterly results. As a result of these quarterly fluctuations, we believe that comparisons of our sales and operating results between quarterly periods may not be meaningful and, as such, these comparisons should not be relied upon as indicators of our future performance.

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Our ability to sell new railcars may be limited by other factors, including the availability and price of used railcars offered for sale and new or used railcars offered for lease by leasing companies and others.

Our customers may consider alternatives to the purchase of new railcars, including the purchase of used railcars, refurbishment of existing railcars or the lease of new or used railcars. Our competitors may also be able to offer railcar leases at favorable lease rates, negatively impacting our ability to sell new railcars, which may result in price reductions, reduced margins and loss of market share. These additional competitive factors could negatively affect our prospects, business, financial condition and results of operations.

The potential cost volatility of the raw materials that we use to manufacture railcars, especially aluminum and steel, and delivery delays associated with these raw materials may adversely affect our financial condition and results of operations.

The production of railcars and our operations require substantial amounts of aluminum and steel. The cost of aluminum, steel and all other materials (including scrap metal) used in the production of our railcars represents a significant majority of our direct manufacturing costs. Our business is subject to the risk of price increases and periodic delays in the delivery of aluminum, steel and other materials, all of which are beyond our control. Any fluctuations in the price or availability of aluminum or steel, or any other material used in the production of our railcars, may have a material adverse effect on our business, results of operations or financial condition. In addition, if any of our suppliers were unable to continue its business or were to seek bankruptcy relief, the availability or price of the materials we use could be adversely affected. Deliveries of our materials may also fluctuate depending on supply and demand for the material or governmental regulation relating to the material, including regulation relating to the importation of the material.

Limitations on the supply of railcar components could adversely affect our business because they may limit the number of railcars we can manufacture.

We rely upon third-party suppliers for various components for our railcars. In the future, suppliers of railcar components may be unable to meet the short-term or longer-term demand of our industry for certain railcar components. In the event that any of our suppliers of railcar components were to stop or reduce their production, go out of business, refuse to continue their business relationships with us, become subject to work stoppages or ration their supply of components, our business could be disrupted. We have in the past experienced challenges sourcing certain railcar components to meet our production requirements. In addition, our ability to increase our railcar production to expand our business and/or meet any increase in demand, with new or additional manufacturing capabilities, depends on our ability to obtain an adequate supply of these railcar components. While we believe that we could secure alternative sources for these components, we may incur substantial delays and significant expense in doing so, the quality and reliability of these alternative sources may not be the same and our operating results may be significantly affected. In an effort to secure a supply of components, we have developed foreign sources that require deposits on some occasions. In the event of a material adverse business condition, such deposits may be forfeited. In addition, if one of our competitors entered into a preferred supply arrangement with, or was otherwise favored by, a particular supplier, we would be at a competitive disadvantage, which could negatively affect our operating results. Furthermore, alternative suppliers might charge significantly higher prices for railcar components than we currently pay. Such circumstances could have a material adverse impact on our customer relationships, financial condition and results of operations.

RISKS RELATED TO OUR BUSINESS

We rely significantly on the sales of our coal cars. Future demand for coal could decrease, which could adversely affect our business, financial condition and results of operations.

Historically, coal cars have been our primary railcar type, representing 49% and 83% of our sales revenues in 2013 and 2012, respectively, and 68% and 91% of the total railcars that we delivered in 2013 and 2012, respectively. Fluctuations in the price of coal relative to other energy sources may cause utility companies, which are significant users of our coal car products, to select an alternative energy source to coal, thereby reducing the demand for coal cars. For example, if utility companies increased the use of natural gas instead of coal as an energy source, demand for certain of our coal car products could decrease and our operating results could be negatively affected.

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The U.S. federal and state governments may adopt new legislation and/or regulations, or judicial or administrative interpretations of existing laws and regulations that materially adversely affect the coal industry and/or our customers ability to use coal or to continue to use coal at present rates. Such legislation or proposed legislation and/or regulations may include proposals for more stringent protections of the environment that would further regulate and tax the coal industry. This legislation could significantly reduce demand for coal, adversely affect the demand for our coal cars and have a material adverse effect on our financial condition and results of operations.

Lack of acceptance of our new railcar offerings by our customers could adversely affect our business.

Our growth strategy depends in part on our continued development and sale of new railcar designs and design changes to existing railcars to penetrate railcar markets in which we currently do not compete and to expand or maintain our market share in the railcar markets in which we currently compete. We have dedicated significant resources to the development, manufacturing and marketing of new railcar designs. We typically make decisions to develop and market new railcars and railcars with modified designs without firm indications of customer acceptance. New or modified railcar designs may require customers to alter their existing business methods or threaten to displace existing equipment in which our customers may have a substantial capital investment. Many railcar purchasers prefer to maintain a standardized fleet of railcars and railcar purchasers with established railcar fleets are generally resistant to railcar design changes. Therefore, any new or modified railcar designs that we develop may not gain widespread acceptance in the marketplace and any such products may not be able to compete successfully with existing railcar designs or new railcar designs that may be introduced by our competitors.

To the extent we expand our sales of products and services internationally, we will increase our exposure to international economic and political risks.

Conducting business outside the United States, for example through our sales to other countries, subjects us to various risks, including changing economic, legal and political conditions, work stoppages, currency fluctuations, terrorist activities directed at U.S. companies, armed conflicts and unexpected changes in the United States and the laws of other countries relating to tariffs, trade restrictions, transportation regulations, foreign investments and taxation. If we fail to obtain and maintain certifications of our railcars and railcar parts in the various countries where we may operate, we may be unable to market and sell our railcars in those countries.

In addition, more stringent rules relating to labor or the environment, adverse tax consequences and price exchange controls could limit our operations and make the distribution of our products internationally more difficult. Furthermore, any material changes in the quotas, regulations or duties on imports imposed by the U.S. government and agencies or on exports by non-U.S. governments and their respective agencies could affect our ability to export the railcars that we manufacture in the United States. The uncertainty of the legal environment could limit our ability to enforce our rights effectively.

The level of our reported backlog may not necessarily indicate what our future sales will be and our actual sales may fall short of the estimated sales value attributed to our backlog.

We define backlog as the sales value of products or services to which our customers have committed in writing to purchase from us or lease from us when built, that have not yet been recognized as revenue. In this annual report on Form 10-K, we have disclosed our backlog, or the number of railcars for which we have purchase orders or firm operating leases for railcars to be built, in various periods and the estimated sales value (in dollars) that would be attributable to this backlog once the backlog is converted to actual sales. We consider backlog to be an indicator of future sales of railcars. However, our reported backlog may not be converted into sales in any particular period, if at all, and the actual sales (including any compensation for lost profits and reimbursement for costs) from such contracts may not equal our reported estimates of backlog value. For example, we rely on third-party suppliers for castings, wheels and components for our railcars and if these third parties were to stop or reduce their supply of heavy castings, wheels and other components, our actual sales could fall short of the estimated sales value attributed to our backlog. Also, customer orders may be subject to cancellation, inspection rights and other customary industry terms, and delivery dates may be subject to delay, thereby extending the date on which we will deliver the associated railcars and realize revenues attributable to such railcar backlog.

Our warranties may expose us to potentially significant claims, which may damage our reputation and adversely affect our business, financial condition and results of operations.

We warrant that new railcars produced by us will be free from defects in material and workmanship under normal use and service identified for a period of up to five years from the time of sale. Accordingly, we may be subject to a risk of product liability or warranty claims in the event that the failure of any of our products results in property damage, personal injury or death, or does not conform to our customers specifications. Although we currently maintain product liability insurance coverage, product liability claims, if made, may exceed our insurance coverage limits or insurance may not continue to be available on commercially acceptable terms, if at all. These types of product liability and warranty claims may result in costly product recalls, significant repair costs and damage to our reputation, all of which could adversely affect our results of operations.

Our Shoals facility or any other business that we may acquire in the future may fail to perform to expectations or we may be unable to successfully integrate any such acquired business with our existing business.

Our Shoals facility or any other business that we may acquire in the future may not strengthen our competitive position or achieve our desired goals. In addition, the integration of any acquired business, including the continuing integration of the Shoals-based business, may disrupt our ongoing operations, divert management from day-to-day responsibilities, increase our expenses and reduce our cash available for operations and other uses. There can be no assurance that we will be able to effectively manage the integration of our Shoals-based business or any other acquired business, or be able to attract, retain and motivate key personnel for the business.

If we lose key personnel, our operations and ability to manage the day-to-day aspects of our business may be adversely affected.

We believe our success depends to a significant degree upon the continued contributions of our executive officers and key employees, both individually and as a group. Our future performance will substantially depend on our ability to retain and motivate them. If we lose key personnel or are unable to recruit qualified personnel, our ability to manage the day-to-day aspects of our business may be adversely affected.

The loss of the services of one or more members of our senior management team could have a material adverse effect on our business, financial condition and results of operations. Because our senior management team has many years of experience in the railcar industry and other manufacturing and capital equipment industries, it could be difficult to replace any of them without adversely affecting our business operations. Our future success will also depend in part upon our continuing ability to attract and retain highly qualified personnel. We do not currently maintain key person life insurance.

Shortages of skilled labor may adversely impact our operations.

We depend on skilled labor in the manufacture and repair of railcars. Some of our facilities are located in areas where demand for skilled laborers often exceeds supply. Shortages of some types of skilled laborers may restrict our ability to maintain or increase production rates and could cause our labor costs to increase.

An increase in health care costs could adversely affect our results of operations.

We provide postretirement health care benefits for approximately 37 of our active employees and 720 of our retired employees. As of December 31, 2013, we have an unfunded $63.3 million accrual for our projected retiree health care costs, a substantial portion of which relates to a settlement with the union representing employees at our and our predecessors Johnstown manufacturing facilities. The terms of that settlement agreement (the 2005 Settlement Agreement) required us to pay until November 30, 2012 certain monthly amounts toward the cost of retiree health care coverage. We engaged in voluntary negotiations for two years in an effort to reach a consensual agreement related to the expired 2005 Settlement Agreement but no agreements were reached. We terminated, effective November 1, 2013, our contributions for medical coverage and life insurance benefits to affected retirees and are seeking declaratory relief to confirm our rights under the Employee Retirement Income Security Act of 1974, as amended, to reduce or terminate retiree medical coverage and life insurance benefits pursuant to the plans that were the subject of the 2005 Settlement Agreement. On July 9, 2013, the union and certain retiree defendants filed suit in the United States District Court for the Western District of Pennsylvania regarding the same dispute (see Note 11 to the Consolidated Financial Statements). The outcome of the pending litigation and the impact on our postretirement benefit plan obligation cannot be determined at this time. Our recorded postretirement benefit plan obligation assumes for accounting purposes a continuation of those monthly payments as per the expired 2005 Settlement Agreement indefinitely after November 1, 2013. However, the Company s postretirement benefit plan obligation could significantly increase or decrease as a result of the litigation or if the parties agree to an alternative settlement agreement.

Labor disputes could disrupt our operations and divert the attention of our management and may have a material adverse effect on our operations and profitability.

As of December 31, 2013, we had a collective bargaining agreement with a union representing approximately 17% of our total active labor force, which expires on March 31, 2017. An additional collective bargaining agreement at a currently idled facility expires on October 31, 2018. Disputes with the unions representing our employees could result in strikes or other labor protests which could disrupt our operations and divert the attention of management from operating our business. If we were to experience a strike or work stoppage, it could be difficult for us to find a sufficient number of employees with the necessary skills to replace these employees. Any such labor disputes could have a material adverse effect on our financial condition, results of operations or cash flows.

We rely upon a single supplier to supply us with all of our roll-formed center sills for our railcars, and any disruption of our relationship with this supplier could adversely affect our business.

We rely upon a single supplier to manufacture all of our roll-formed center sills for our railcars, which are based upon our proprietary and patented process. A center sill is the primary longitudinal structural component of a railcar, which helps the railcar withstand the weight of the cargo and the force of being pulled during transport. Our center sill is formed into its final shape without heating by passing steel plate through a series of rollers. Of the new railcars that we produced in 2013 and 2012, 68% and 98%, respectively, were manufactured using this roll-formed center sill. Although we have a good relationship with our supplier and have not experienced any significant delays, manufacturing shortages or failures to meet our quality requirements and production specifications in the past, our supplier could stop production of our roll-formed center sills, go out of business, refuse to continue its business relationship with us or become subject to work stoppages. While we believe that we could secure alternative manufacturing sources, our present supplier is currently the only manufacturer of our roll-formed center sills for our railcars. We may incur substantial delays and significant expense in finding an alternative source, our results of operations may be significantly affected and the quality and reliability of these alternative sources may not be the same. Moreover, alternative suppliers might charge significantly higher prices for our roll-formed center sills than we currently pay.

Equipment failures, delays in deliveries or extensive damage to our facilities could lead to production or service curtailments or shutdowns.

We have railcar production facilities in Cherokee, Alabama, Danville, Illinois and Roanoke, Virginia and maintenance and repair facilities in Grand Island, Nebraska and Hastings, Nebraska. An interruption in railcar production capabilities or maintenance and repair capabilities at these facilities, as a result of equipment failure or other factors, could reduce or prevent our production, service or repair of railcars. A halt of production at any of our manufacturing facilities could severely affect delivery times to our customers. Any significant delay in deliveries to our customers could result in the termination of contracts, cause us to lose future sales and negatively affect our reputation among our customers and in the railcar industry and our results of operations. Our facilities are also subject to the risk of catastrophic loss due to unanticipated events, such as fires, explosions, floods or weather conditions. We may experience plant shutdowns or periods of reduced production as a result of equipment failures, delays in deliveries or extensive damage to any of our facilities, which could have a material adverse effect on our business, results of operations or financial condition.

We might fail to adequately protect our intellectual property, which may result in our loss of market share, or third parties might assert that our intellectual property infringes on their intellectual property, which would be costly to defend and divert the attention of our management.

The protection of our intellectual property is important to our business. We rely on a combination of trademarks, copyrights, patents and trade secrets to protect our intellectual property. However, these protections might be inadequate. For example, we have patents for portions of our railcar designs that are important to our market leadership in the coal car segment. Our pending or future trademark, copyright and patent applications might not be approved or, if allowed, might not be sufficiently broad. Conversely, third parties might assert that our technologies or other intellectual property infringe on their proprietary rights. In either case, litigation may result, which could result in substantial costs and diversion of our management team s efforts. Regardless of whether we are ultimately successful in any litigation, such litigation could adversely affect our business, results of operations and financial condition.

Our information technology and other systems are subject to cybersecurity risk, including the misappropriation of customer information and other breaches of information security. Security breaches and other disruptions could compromise our information, expose us to liability and harm our reputation and business.

In the ordinary course of our business, we collect and store sensitive data on our networks, including intellectual property, our proprietary business information and that of our customers, suppliers and business partners and personally identifiable information and other personal information of our customers and employees. While we continually work to safeguard our systems and to mitigate potential security risks, our information and processes are exposed to increasing global information security threats and more sophisticated and targeted computer crime, which may result in our data being subject to a security breach, a system failure, a computer virus, malicious software or unauthorized or fraudulent use by our employees or other third parties. Any compromise of our data security and access to or public disclosure or loss of personal or confidential business information could result in legal claims or proceedings with third parties, liability or regulatory penalties under the laws that protect the privacy of personal information, disruption of our operations, damage to our reputation, loss of business or remediation costs, any of which could have a material adverse effect on our prospects, business, financial condition and results of operations.

We are subject to a variety of environmental laws and regulations and the cost of complying with environmental requirements or any failure by us to comply with such requirements may have a material adverse effect on our business, financial condition and results of operations.

We are subject to a variety of federal, state and local environmental laws and regulations, including those governing air quality and the handling, disposal and remediation of waste products, fuel products and hazardous substances. Although we believe that we are in material compliance with all of the various regulations and permits applicable to our business, we may not at all times be in compliance with such requirements. The cost of complying with environmental requirements may also increase substantially in future years. If we violate or fail to comply with these regulations, we could be fined or otherwise sanctioned by regulators. In addition, these requirements are complex, change frequently and may become more stringent over time, which could have a material adverse effect on our business. We have in the past conducted investigation and remediation activities at properties that we own to address historic contamination. However, there can be no assurance that these remediation activities have addressed all historic contamination. Environmental liabilities that we incur, including those relating to the off-site disposal of our wastes, if not covered by adequate insurance or indemnification, will increase our costs and have a negative impact on our profitability.

The agreement governing our revolving credit facility contains various covenants that, among other things, limit our discretion in operating our business and provide for certain minimum financial requirements.

The agreement governing our revolving credit facility contains various covenants that, among other things, limit our management s discretion by restricting our ability to incur additional debt, enter into certain transactions with affiliates, make investments and other restricted payments and create liens. Our failure to comply with these financial covenants and other covenants under our revolving credit facility could lead to an event of default under the agreement governing any other indebtedness that we may have outstanding at the time, permitting the lenders to accelerate all borrowings under such agreement and to foreclose on any collateral. In addition, any such events may make it more difficult or costly for us to borrow additional funds in the future. Our failure to raise capital if and when needed could have a material adverse effect on our results of operations and financial condition.

The market price of our securities may fluctuate significantly, which may make it difficult for stockholders to sell shares of our common stock when desired or at attractive prices.

Since our initial public offering in April 2005 until December 31, 2013, the trading price of our common stock ranged from a low of $12.82 per share to a high of $78.34 per share. The price for our common stock may fluctuate in response to a number of events and factors, such as quarterly variations in operating results and our reported

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backlog, the cyclical nature of the railcar market, announcements of new products by us or our competitors, changes in financial estimates and recommendations by securities analysts, the operating and stock price performance of other companies that investors may deem comparable to us, and news reports relating to trends in our markets or general economic conditions. Additionally, volatility or a lack of positive performance in our stock price may adversely affect our ability to retain key employees, all of whom have been granted stock options or other stock awards.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The following table presents information on our leased and owned operating properties as of December 31, 2013:

Use	Location	Size	Leased or Owned	Lease Expiration Date
Corporate headquarters	Chicago, Illinois	15,540 square feet	Leased	March 31, 2022
Railcar assembly and component manufacturing	Danville, Illinois	308,665 square feet on 36.5 acres of land	Owned	
Railcar assembly and component manufacturing	Roanoke, Virginia	383,709 square feet on 15.5 acres of land	Leased	December 31, 2024
Railcar assembly and component manufacturing	Cherokee, Alabama	543,399 square feet	Leased	December 31, 2021
Railcar maintenance, repair and parts warehouse	Grand Island, Nebraska	132,067 square feet on 448 acres of land	Owned	
Railcar maintenance and repair	Hastings, Nebraska	35,107 square feet on 13.4 acres of land with an additional 7.5 acres of land leased	Owned/ Leased	December 31, 2018
Railcar maintenance and repair	Clinton, Indiana	30,873 square feet on 56.3 acres of land	Owned	
Short line railroad	Grand Island, Nebraska	5 miles of main line plus 2.77 miles of sidings for a total of 7.77 miles	Owned	
Administrative	Johnstown, Pennsylvania	29,500 square feet on 1.02 acres of land	Owned	
Parts warehouse	Johnstown, Pennsylvania	86,000 square feet	Leased	December 31, 2016

In addition to the properties listed above, we also have various leased or owned railroad easements or rights of way which we use in our railcar repair and maintenance business. Based on our backlog for coal car orders as of December 31, 2013 our Danville facility is idle but remains available to resume operations if more coal car production capacity is needed. As part of our strategic initiative to improve the contribution of our services business to our results of operations, we evaluated the long-term profitability of each of our railcar maintenance and repair shops during the fourth quarter of 2013. As a result of this analysis, we decided to close our underperforming maintenance and repair shop in Clinton, Indiana.

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Item 3. Legal Proceedings.

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

As described in the Complaint, pursuant to a settlement agreement (the 2005 Settlement Agreement) among the Company, the USW and the Retiree Defendants, we agreed to make certain levels of contributions to medical coverage for the Retiree Defendants and to continue to provide life insurance benefits at their amount at that time under certain of our employee welfare benefit plans. The 2005 Settlement Agreement expressly provided that, as of November 30, 2012, we could cease making these contributions. In June 2011, the Company and the USW began discussing the possibility of an extension beyond November 30, 2012 for our contributions to retiree medical coverage and life insurance benefits at a reduced amount and on other mutually acceptable terms. We engaged in voluntary negotiations for two years with the USW and counsel for the Retiree Defendants in an effort to reach a consensual agreement regarding such medical and life insurance benefits, but the parties were unable to reach a final agreement. We terminated, effective November 1, 2013, our contributions for medical coverage provided to the Retiree Defendants and the provision of life insurance benefits and are seeking declaratory relief to confirm our rights under the Employee Retirement Income Security Act of 1974, as amended, to reduce or terminate retiree medical coverage and life insurance benefits pursuant to the plans that were the subject of the 2005 Settlement Agreement.

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

On July 26, 2013, the Pennsylvania Plaintiffs filed with the Illinois Court a Motion to Dismiss Pursuant to Fed. R. Civ. P. 12(b) or in the Alternative, to Transfer Pursuant to 28 U.S.C. 1404(a), as well as a Motion to Stay and/or Prevent Plaintiff from Obtaining Defaults against the Retiree Defendants. On August 5, 2013, we filed with the Pennsylvania Court a Motion to Dismiss Pursuant to Fed. R. Civ P. 12(b) or in the Alternative, to Transfer Pursuant to 28 U.S.C. 1404(a). On January 14, 2014, the Pennsylvania Court denied our motion to dismiss, and on January 16, 2014, the Illinois Court transferred our case to the Pennsylvania Court. On January 31, 2014, we filed a motion to consolidate both cases before the Pennsylvania Court. The Pennsylvania Court has not yet ruled on this motion.

On September 5, 2013, the Pennsylvania Plaintiffs filed a Plaintiffs Motion for Temporary Restraining Order and Preliminary Injunction (the TRO Motion) with the Pennsylvania Court. In the TRO Motion, the plaintiffs requested that the Pennsylvania Court enter an injunction requiring us to continue to make monthly contributions at the same rate established by the 2005 Settlement Agreement until the parties dispute is fully adjudicated on the merits. The Pennsylvania Court has not yet ruled on the TRO Motion.

On February 18, 2014, the Pennsylvania Plaintiffs filed a motion with the Pennsylvania Court seeking summary judgment as to our liability. We have filed a procedural motion in opposition to the summary judgment motion. The Pennsylvania Court has not yet ruled as to whether the summary judgment motion may proceed at this juncture in the case.

We have recorded postretirement benefit plan obligations, a substantial portion of which relate to the dispute now before the Illinois Court and the Pennsylvania Court (see Note 11 to the Consolidated Financial Statements).

On September 29, 2008, Bral Corporation, a supplier of certain railcar parts to us, filed a complaint against us in the U.S. District Court for the Western District of Pennsylvania (the Pennsylvania Lawsuit). The complaint alleged that we breached an exclusive supply agreement with Bral by purchasing parts from CMN Components, Inc.

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(CMN) and sought damages in an unspecified amount, attorneys fees and other legal costs. On December 14, 2007, Bral sued CMN in the U.S. District Court for the Northern District of Illinois, alleging among other things that CMN interfered in the business relationship between Bral and us (the Illinois Lawsuit) and seeking damages in an unspecified amount, attorneys fees and other legal costs. On October 22, 2008, we entered into an Assignment of Claims Agreement with CMN under which CMN assigned to us its counterclaims against Bral in the Illinois Lawsuit and we agreed to defend and indemnify CMN against Bral s claims in that lawsuit. On March 4, 2013, Bral Corporation and the Company agreed to settle the Illinois Lawsuit and the Pennsylvania Lawsuit. The settlement resulted in a $3.9 million reduction in litigation reserves, which favorably impacted our results of operations for the year ended December 31, 2013.

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

Item 4. Mine Safety Disclosures.

Not applicable

PART II

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

Our common stock has been quoted on the Nasdaq Global Market under the symbol RAIL since April 6, 2005. Prior to that time, there was no public market for our common stock. As of February 28, 2014, there were approximately 79 holders of record of our common stock, which does not include persons whose shares of common stock are held by a bank, brokerage house or clearing agency. The following table sets forth quarterly high and low closing prices of our common stock since January 1, 2012, as reported on the Nasdaq Global Market.

	Common stock price		
	High	**Low**	**Dividend Declared**
2013			
Fourth quarter	$ 26.72	$ 20.49	$ 0.06
Third quarter	$ 21.47	$ 16.53	$ 0.06
Second quarter	$ 21.98	$ 16.94	$ 0.06
First quarter	$ 24.95	$ 20.97	$ 0.06
2012			
Fourth quarter	$ 22.89	$ 17.80	$ 0.06
Third quarter	$ 22.25	$ 17.79	$ 0.06
Second quarter	$ 22.97	$ 19.24	$ 0.06
First quarter	$ 29.25	$ 20.25	$ 0.06

Dividend Policy

The declaration and payment of future dividends will be at the discretion of our board of directors and will depend on, among other things, general economic and business conditions, our strategic plans, our financial results, contractual and legal restrictions on the payment of dividends by us and our subsidiaries and such other factors as our board of directors considers to be relevant. The ability of our board of directors to declare a dividend on our common stock is limited by Delaware law. On February 11, 2014, our board of directors declared a cash dividend of $0.06 per share of our common stock, payable on February 28, 2014, to shareholders of record at the close of business on February 21, 2014.

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Performance Graph

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

The following graph illustrates the cumulative total stockholder return on our common stock during the period from January 1, 2009 through December 31, 2013 and compares it with the cumulative total return on the NASDAQ Composite Index and DJ Transportation Index. The comparison assumes $100 was invested on January 1, 2009 in our common stock and in each of the foregoing indices and assumes reinvestment of dividends, if any. The performance shown is not necessarily indicative of future performance.

	Dec.31, 2008	Jun.30, 2009	Dec.31, 2009	Jun.30, 2010	Dec.31, 2010	Jun.30, 2011	Dec.31, 2011	Jun.30, 2012	Dec.31, 2012	Jun.30, 2013	Dec.31, 2013
FreightCar America, Inc.	$ 100.00	$ 92.65	$ 109.97	$ 125.82	$ 160.97	$ 140.95	$ 116.53	$ 128.43	$ 126.14	$ 96.17	$ 151.56
Nasdaq Composite Index	$ 100.00	$ 116.97	$ 145.34	$ 135.71	$ 171.70	$ 180.30	$ 170.34	$ 193.03	$ 200.57	$ 227.48	$ 281.14
DJ Transportation Index	$ 100.00	$ 92.64	$ 118.59	$ 116.95	$ 150.30	$ 160.93	$ 150.31	$ 157.25	$ 161.56	$ 189.24	$ 228.42

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Item 6. Selected Financial Data.

The selected financial data presented for each of the years in the five-year period ended December 31, 2013 was derived from our audited consolidated financial statements and other operational information reported in Form 10-K. The selected financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and Notes thereto included in Item 7 and Item 8, respectively, of this annual report on Form 10-K. (in thousands, except share and per share data and railcar amounts)

	Year Ended December 31,				
	2013	**2012**	**2011**	**2010**	**2009**
Statement of operations data:					
Revenues	$ 290,393	$ 677,449	$ 486,986	$ 142,889	$ 248,462
Gross profit	13,225	64,986	31,946	2,722	36,522
Selling, general and administrative expense	27,464	32,736	28,660	24,618	31,316
Gain on sale of railcars available for lease	(604)	(989)	(2,227)		
Restructuring and impairment charges	10,452				
Net (loss) income attributable to FreightCar America[1]	$ (19,295)	$ 19,095	$ 4,935	$ (12,771)	$ 4,940
Weighted average common shares outstanding basic	11,954,238	11,932,926	11,916,292	11,896,148	11,861,366
Weighted average common shares outstanding diluted	11,954,238	11,969,367	11,962,196	11,896,148	11,870,350
Per share data:					
Net (loss) income per common share attributable to FreightCar America basic	$ (1.61)	$ 1.60	$ 0.41	$ (1.07)	$ 0.42
Net (loss) income per common share attributable to FreightCar America diluted	$ (1.61)	$ 1.60	$ 0.41	$ (1.07)	$ 0.42
Dividends declared per common share	$ 0.24	$ 0.24	$	$ 0.06	$ 0.24
Other financial and operating data:					
Investment in property, plant and equipment, railcars on operating leases and business acquisitions	$ 17,317	$ 9,088	$ 1,996	$ 24,750	$ 19,920
Railcars delivered	3,821	8,325	6,188	2,229	3,377
Railcar orders	7,766	2,903	12,437	4,018	1,218
Railcar backlog	6,826	2,881	8,303	2,054	265
Estimated revenue from backlog	$ 492,018	$ 197,597	$ 559,824	$ 144,306	$ 24,839
Balance sheet data (at period end):					
Cash and cash equivalents	$ 145,506	$ 98,509	$ 101,870	$ 61,780	$ 98,015
Restricted cash and restricted certificates of deposit	7,780	14,700	1,815	2,322	1,420
Marketable securities	38,988	41,978			29,976

Total assets	417,719	388,565	345,463	310,643	335,566
Total debt, including capital leases					
Total stockholders equity	202,535	211,331	197,334	192,580	206,253

(1) For the year ended December 31, 2009, we recorded plant closure income of $495 which represented insurance recoveries and adjustments to employment termination benefits. For the year ended December 31, 2010, we recorded plant closure income of $399 which represented the gain on sale of our Johnstown manufacturing facility. For the year ended December 31, 2013, we recorded impairment charges to write down assets at our idled Danville manufacturing facility of $7,592, impairment charges to write down assets at our closed Clinton, Indiana maintenance and repair shop of $1,620, other charges related to the closure of our Clinton maintenance and repair shop of $303 and corporate severance charges of $1,556.

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

OVERVIEW

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

We believe we are the leading manufacturer of aluminum-bodied railcars and coal cars in North America, based on the number of railcars delivered. Our railcar manufacturing facilities are located in Cherokee, Alabama, Danville, Illinois and Roanoke, Virginia. Based on our backlog for coal car orders as of December 31, 2013 our Danville facility is idle but remains available to resume operations if more coal car production capacity is needed. The Shoals facility, our new state-of-the-art production facility, was designed to efficiently build a wide variety of railcar types. The Shoals facility is an important part of our long-term growth strategy as we continue to expand our railcar product and service offerings outside of our traditional coal car market. While our Danville and Roanoke facilities will continue to support our coal car products, the Shoals facility will allow us to produce a broader variety of railcars in a cost-effective and efficient manner. In addition, the facility layout, automated production equipment, proximity to key suppliers and new supply agreements will increase our flexibility and make us more competitive in the marketplace. Our Shoals facility delivered its first railcars during the fourth quarter of 2013 and production will continue to ramp up during 2014.

We refurbish and rebuild railcars and sell forged, cast and fabricated parts for all of the railcars we produce, as well as those manufactured by others. We provide railcar repair and maintenance and inspections for all types of freight railcars through our FCRS subsidiary. FCRS has repair and maintenance and inspection facilities in Grand Island, Nebraska and Hastings, Nebraska and services freight cars and unit coal trains utilizing key rail corridors in the Midwest and Western regions of the United States. As part of our strategic initiative to improve the contribution of our services business to our results of operations, we evaluated the long-term profitability of each of our railcar maintenance and repair shops during the fourth quarter of 2013. As a result of this analysis, we decided to close our underperforming maintenance and repair shop in Clinton, Indiana.

We also lease freight cars through our JAIX Leasing Company subsidiary. As of December 31, 2013, the value of leased railcars (including inventory on lease and railcars available for lease) was $53.1 million.

Railcar deliveries totaled 3,821 units, consisting of 992 new railcars, 99 used railcars, 2,530 rebuilt railcars and 200 railcars leased, for the year ended December 31, 2013, compared to 8,325 units, consisting of 5,487 new railcars, 441 used railcars, 1,400 rebuilt railcars and 997 leased railcars, delivered in the same period of 2012. Our total backlog of firm orders for railcars increased by 3,945 railcars, from 2,881 railcars as of December 31, 2012 to 6,826 railcars as of December 31, 2013. Our primary customers are railroads, financial institutions and shippers.

We have two reportable segments, Manufacturing and Services. Our Manufacturing segment includes new railcar manufacturing, used railcar sales, railcar leasing and major railcar rebuilds. Our Services segment includes general railcar repair and maintenance, inspections, parts sales and railcar fleet management services. Corporate includes administrative activities and all other non-operating activity.

The North American railcar market is highly cyclical and the trends in the railcar industry are closely related to the overall level of economic activity. We expect the railroads, operating lessors and shippers to continue to evaluate freight demand for dry bulk commodities and containerized freight and to continue to repair, maintain and upgrade their fleets to maximize the productivity of their railcar equipment.

FINANCIAL STATEMENT PRESENTATION

Revenues

Our Manufacturing segment revenues are generated primarily from sales of the railcars that we manufacture. Our Manufacturing segment sales depend on industry demand for new railcars, which is driven by overall economic conditions and the demand for railcar transportation of various products, such as coal, steel products, minerals, cement, motor vehicles, forest products and agricultural commodities. Our Manufacturing segment sales are also

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affected by competitive market pressures that impact our market share, the prices for our railcars and by the types of railcars sold. Our Manufacturing segment revenues also include revenues from major railcar rebuilds and lease rental payments received with respect to railcars under operating leases. Our Services segment revenue sources include parts sales, revenues related to the general maintenance and repair and inspections of railcars.

We generally manufacture railcars under firm orders from our customers. We recognize revenue, when (1) we complete the individual railcars, (2) the railcars are accepted by the customer following inspection, (3) the risk of any damage or other loss with respect to the railcars passes to the customer and (4) title to the railcars transfers to the customer. Deliveries include new and used cars sold, cars built and contracted under operating leases and rebuilt cars. We value used railcars received at their estimated fair market value. The variable purchase patterns of our customers and the timing of completion, delivery and customer acceptance of railcars may cause our revenues and income from operations to vary substantially each quarter, which will result in significant fluctuations in our quarterly results.

Cost of sales

Our cost of sales includes the cost of raw materials such as aluminum and steel, as well as the cost of finished railcar components, such as castings, wheels, truck components and couplers, and other specialty components. Our cost of sales also includes labor, utilities, freight, manufacturing depreciation and other operating costs. Factors that have affected our cost of sales include the recent volatility in railcar deliveries, the cost of steel and aluminum, and our efforts to continually reduce manufacturing costs at our manufacturing facilities. A portion of the contracts covering our backlog at December 31, 2013 are fixed-rate contracts. Therefore, if material costs were to increase, we may not be able to pass on these increased costs to our customers.

Operating (loss) income

Operating income (loss) represents revenues less cost of sales, gain on sale of railcars available for lease, selling, general and administrative expenses, and restructuring and impairment charges.

RESULTS OF OPERATIONS

Year Ended December 31, 2013 compared to Year Ended December 31, 2012

Revenues

Our consolidated revenues for the year ended December 31, 2013 were $290.4 million compared to $677.4 million for the year ended December 31, 2012. Manufacturing segment revenues for the year ended December 31, 2013 were $253.8 million compared to $644.0 million for the year ended December 31, 2012. The decrease in Manufacturing segment revenues for 2013 compared to 2012 reflects significantly fewer railcars delivered and a greater number of lower revenue per car rebuilt railcars. Our Manufacturing segment delivered 3,821 units, consisting of 992 new railcars, 99 used railcars, 2,530 rebuilt railcars and 200 leased railcars, for the year ended December 31, 2013, compared to 8,325 units, consisting of 5,487 new railcars, 441 used railcars, 1,400 rebuilt railcars and 997 leased railcars, for the year ended December 31, 2012. Services segment revenues for the year ended December 31, 2013 were $36.6 million compared to $33.4 million for the year ended December 31, 2012. The increase in Services segment revenues for 2013 compared to 2012 reflects higher parts sales revenue and higher repair volumes.

Gross Profit

Our consolidated gross profit for the year ended December 31, 2013 was $13.2 million compared to $65.0 million for the year ended December 31, 2012, representing a decrease of $51.8 million. The decrease in our consolidated gross profit for the year ended December 31, 2013 compared to the year ended December 31, 2012 reflects a decrease in gross profit from our Manufacturing segment of $52.7 million, which was partially offset by an increase in gross profit from our Services segment of $0.6 million. The decrease in gross profit for our Manufacturing segment for the year ended December 31, 2013 compared to the year ended December 31, 2012 reflects the significant decrease in deliveries and $9.5 million related to under-absorption of overhead costs due to low start-up volumes and costs associated with ramping up the labor force at our Shoals facility and the carrying costs associated with our idled Danville facility during 2013. Gross profit for our Manufacturing segment for the year ended December 31, 2013 included a $1.7 million charge for projected costs in excess of selling price related to an order to be delivered in 2014. Customer lead times on this order required us to source key components from higher-priced suppliers in order to meet the customer s delivery requirements. Manufacturing segment gross profit for the year ended December 31, 2013 was also negatively impacted by production inefficiencies and higher operating costs. The increase in gross profit for our Services segment for the year ended December 31, 2013 compared to the year ended December 31, 2012 reflects higher parts sales and an increase in higher-margin program repairs. Our consolidated gross margin rate was 4.6% for the year ended December 31, 2013 compared to 9.6% for the year ended December 31, 2012.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended December 31, 2013 were $27.5 million compared to $32.7 million for the year ended December 31, 2012, representing a decrease of $5.2 million, or 16%. The decrease reflects a decrease in our Bral litigation reserve of $3.9 million, decreases in incentive compensation of $3.6 million and a decrease in consulting costs of $2.2 million, which were partially offset by increases in salaries of $1.6 million, Shoals start-up costs of $1.3 million, legal fees of $0.9 million relating to the postemployment benefit plan dispute and increases in stock compensation of $0.6 million. Manufacturing segment selling, general and administrative expenses were $7.3 million for the year ended December 31, 2013 compared to $6.4 million for the year ended December 31, 2012. Services segment selling, general and administrative expenses were $3.8 million for the year ended December 31, 2013 compared to $3.9 million for the year ended December 31, 2012. Corporate selling, general and administrative expenses for the year ended December 31, 2013 were $16.4 million compared to $22.4 million for the year ended December 31, 2012 reflecting the reduction in the litigation reserve and decreases in incentive compensation and consulting costs, which were partially offset by higher legal fees related to the postemployment benefit plan dispute. Corporate selling, general and administrative expenses for the year ended December 31, 2013 included $1.3 million related to the start-up of our Shoals facility.

Gain on Sale of Railcars Available for Lease

Gain on sale of railcars available for lease for the year ended December 31, 2013 was $0.6 million and represented the gain on sale of leased railcars with a net book value of $6.2 million. Gain on sale of railcars available for lease for the year ended December 31, 2012 was $1.0 million and represented the gain on sale of leased railcars with a net book value of $10.4 million.

Restructuring and Impairment Charges

Restructuring and impairment charges were $10.5 million for the year ended December 31, 2013 and consisted of the items described below. There were no restructuring and impairment charges for the year ended December 31, 2012.

Although we are committed to maintaining our status as a market leader in coal car manufacturing and do not have plans to permanently close our Danville manufacturing facility, the current industry outlook for the all-aluminum coal car market remains soft. Based on our backlog for coal car orders as of December 31, 2013 and given the soft current industry outlook, we are unable to predict when our Danville manufacturing facility will resume operations and therefore we tested the long-lived assets at the Danville facility for impairment as of December 31, 2013. The carrying values of property, plant and equipment at the Danville facility were reduced to their estimated fair market values, resulting in a non-cash impairment charge of $7.6 million for the year ended December 31, 2013.

As part of our strategic initiative to improve the contribution of our Services business to our results of operations, we evaluated the long-term profitability of each of our railcar maintenance and repair shops during the fourth quarter of 2013. As a result of this analysis we decided to close our underperforming maintenance and repair shop in Clinton, Indiana. We evaluated the long-lived assets at our Clinton maintenance and repair shop for impairment and reduced the carrying values of property, plant and equipment to their estimated fair market values, resulting in a non-cash impairment charge of $1.5 million for the year ended December 31, 2013. We also recorded a non-cash impairment charge of $0.1 million related to customer intangibles and recorded other charges of $0.1 million related to the Clinton closure during the fourth quarter of 2013.

We revised our Corporate management reporting structure as part of the leadership transition following the retirement of our previous President and Chief Executive Officer during the fourth quarter of 2013, resulting in severance charges of $1.1 million being recorded during the fourth quarter of 2013.

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Operating (Loss) Income

Our consolidated operating loss for the year ended December 31, 2013 was $24.1 million compared to operating income of $33.2 million for the year ended December 31, 2012. Operating loss for the Manufacturing segment was $3.4 million for the year ended December 31, 2013 compared to operating income of $58.3 million for the year ended December 31, 2012, reflecting the significant decrease in deliveries, $9.5 million related to the start-up of the Shoals facility and the carrying costs associated with our idled Danville facility and non-cash fixed asset impairment charges of $7.6 million for our idled Danville facility. Our Manufacturing segment operating loss for the year ended December 31, 2013 also included a $1.7 million charge for projected costs in excess of selling price related to an order to be delivered in 2014. Manufacturing segment operating loss for the year ended December 31, 2013 was also impacted by production inefficiencies and higher operating costs. Services segment operating income was $1.2 million for the year ended December 31, 2013 compared to $2.1 million for the year ended December 31, 2012, primarily as a result of the non-cash impairment charges of $1.6 million related to our closed Clinton maintenance and repair shop. Corporate costs were $21.9 million for the year ended December 31, 2013 compared to $27.2 million for the year ended December 31, 2012. The decrease in Corporate costs was primarily due to the reduction in the litigation reserve and decreases in incentive compensation and consulting costs, which were partially offset by higher legal fees relating to the postemployment benefit plan dispute. Corporate costs for the year ended December 31, 2013 included $1.3 million related to the start-up of our Shoals facility and $1.6 million related to corporate severance.

Interest Expense and Deferred Financing Costs

Interest expense and the amortization of deferred financing costs were $0.8 million for the year ended December 31, 2013 compared to $0.4 million for the year ended December 31, 2012. In addition to commitment fees on our revolving credit facility, letter of credit fees and amortization of deferred financing costs, 2013 results included non-cash imputed interest on a customer advance for leased railcars delivered for which revenue cannot be recognized until all contingencies have been resolved.

Income Taxes

The income tax benefit was $5.5 million for the year ended December 31, 2013 compared to an income tax provision of $13.8 million for the year ended December 31, 2012. The effective tax rates for the years ended December 31, 2013 and 2012, were 22.3% and 41.9%, respectively. The addition of our Shoals facility changed the mix of projected income from states in which we operate, resulting in changes in our estimated state tax apportionment and effective state tax rates. The income tax benefit for the year ended December 31, 2013 included a provision of $2.2 million resulting from applying these changes in effective state tax rates on our deferred tax balances. Additionally, projected taxable income in certain states in which we operate may not be sufficient to realize the full value of net operating loss carryforwards. As a result, the income tax benefit for the year ended December 31, 2013 also included the recognition of a valuation allowance of $2.3 million against deferred tax assets related to net operating loss carryforwards in certain states in which we operate. The effective tax rate for the year ended December 31, 2012 was higher than the statutory U.S. federal income tax rate of 35% primarily due the state tax provision based on a 5.4% blended state tax rate and a provision of $1.4 million resulting from applying changes in state tax rates on our deferred tax balances, which was partially offset by a $0.6 million benefit for tax-deductible goodwill. The changes in state tax rates resulted from changes in our estimated state tax apportionment and the expected timing of our utilization of state net operating loss carryforwards.

Net (Loss) Income Attributable to FreightCar America

As a result of the foregoing, net loss attributable to FreightCar America was $19.3 million for the year ended December 31, 2013 compared to net income of $19.1 million for the year ended December 31, 2012. For 2013, our basic and diluted net loss per share were both $1.61, on basic and diluted shares outstanding of 11,954,238. For 2012, our basic and diluted net income per share were both $1.60, on basic and diluted shares outstanding of 11,932,926 and 11,969,367, respectively.

Year Ended December 31, 2012 compared to Year Ended December 31, 2011

Revenues

Our consolidated revenues for the year ended December 31, 2012 were $677.4 million compared to $487.0 million for the year ended December 31, 2011. Manufacturing segment revenues for the year ended December 31, 2012 were $644.0 million compared to $453.1 million for the year ended December 31, 2011. The increase in Manufacturing segment revenues for 2012 compared to 2011 reflects a higher number of railcars delivered and higher average revenue per railcar. Our Manufacturing segment delivered 8,325 units, consisting of 5,487 new railcars, 441 used railcars, 1,400 rebuilt railcars and 997 railcars leased, for the year ended December 31, 2012, compared to 6,188 units, consisting of 5,745 new railcars, 79 used railcars sold and 364 leased railcars for the year ended December 31, 2011. Services segment revenues for the year ended December 31, 2012 were $33.4 million compared to $33.9 million for the year ended December 31, 2011. The slight decrease in Services segment revenues for 2012 compared to 2011 reflects lower repair volumes and an unfavorable repair and parts sales mix.

Gross Profit

Our consolidated gross profit for the year ended December 31, 2012 was $65.0 million compared to $31.9 million for the year ended December 31, 2011, representing an increase of $33.1 million. The increase in our consolidated gross profit for the year ended December 31, 2012 compared to the year ended December 31, 2011 reflects an increase in gross profit from our Manufacturing segment of $34.0 million, which was partially offset by a decrease in gross profit from our Services segment of $0.8 million. The increase in gross profit for our Manufacturing segment for the year ended December 31, 2012 compared to the year ended December 31, 2011 is due to a higher number of railcars delivered and higher revenue per railcar during 2012, which were partially offset by unfavorable production variances related to production line changeover costs. The decrease in gross profit for our Services segment for the year ended December 31, 2012 compared to the year ended December 31, 2011 reflects lower parts sales volume, an unfavorable parts sales mix, an unfavorable repair work mix and increased operating costs in our repair business. Our consolidated gross margin rate was 9.6% for the year ended December 31, 2012 compared to 6.6% for the year ended December 31, 2011.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended December 31, 2012 were $32.7 million compared to $28.7 million for the year ended December 31, 2011, representing an increase of $4.0 million, or 14%. The increase reflects increases in compensation of $2.6 million, external services costs of $2.9 million and legal fees of $0.5 million, which were partially offset by a decrease in product development costs of $1.6 million. Manufacturing segment selling, general and administrative expenses were $6.4 million for the year ended December 31, 2012 compared to $6.0 million for the year ended December 31, 2011. Services segment selling, general and administrative expenses were $3.9 million for the year ended December 31, 2012 compared to $3.2 million for the year ended December 31, 2011. Corporate selling, general and administrative expenses for the year ended December 31, 2012 were $22.4 million compared to $19.5 million for the year ended December 31, 2011.

Gain on Sale of Railcars Available for Lease

Gain on sale of railcars available for lease for the year ended December 31, 2012 was $1.0 million and represented the gain on sale of leased railcars with a net book value of $10.4 million. Gain on sale of railcars available for lease for the year ended December 31, 2011 was $2.2 million and represented the gain on sale of leased railcars with a net book value of $9.2 million.

Operating Income (Loss)

Our consolidated operating income for the year ended December 31, 2012 was $33.2 million, compared to $5.5 million for the year ended December 31, 2011. Operating income for the Manufacturing segment was $58.3 million for the year ended December 31, 2012 compared to $25.9 million for the year ended December 31, 2011. The increase in operating income for our Manufacturing segment for the year ended December 31, 2012 compared to the year ended December 31, 2011 was due to a higher number of railcars delivered and higher revenue per railcar during 2012, which were partially offset by unfavorable production variances related to production line changeover costs and lower sales of railcars available for lease. Services segment operating income was $2.1 million for the year ended December 31, 2012 compared to $3.7 million for the year ended December 31, 2011. The decrease in operating income for our Services segment for the year ended December 31, 2012 compared to the year ended December 31, 2011 reflects lower parts sales volume, an unfavorable parts sales mix, an unfavorable repair work mix and increased operating costs in our repair business. Corporate costs were $27.2 million for the year ended December 31, 2012 compared to $24.1 million for the year ended December 31, 2011. The increase in Corporate costs was primarily due to increases in compensation and external services.

Interest Expense and Deferred Financing Costs

Interest expense (consisting of commitment fees on our revolving credit facility and letter of credit fees) and the amortization of deferred financing costs for the year ended December 31, 2012 were $0.4 million compared to $0.2 million for the year ended December 31, 2011. Increases in interest expense for 2012 resulted primarily from letter of credit fees.

Income Taxes

The income tax provision was $13.8 million for the year ended December 31, 2012, compared to $0.4 million for the year ended December 31, 2011. The effective tax rates for the years ended December 31, 2012 and 2011, were 41.9% and 6.7%, respectively. The effective tax rate for the year ended December 31, 2012 was higher than the statutory U.S. federal income tax rate of 35% primarily due the state tax provision based on a 5.4% blended state tax rate and a provision of $1.4 million resulting from applying changes in state tax rates on our deferred tax balances partially offset by a $0.6 million benefit for tax deductible goodwill. The changes in state tax rates resulted from changes in our estimated state tax apportionment and the expected timing of our utilization of state net operating loss carryforwards. The effective tax rate for the year ended December 31, 2011 was lower than the statutory U.S. federal income tax rate of 35% primarily due to a $0.6 million benefit for tax-deductible goodwill and a benefit of $1.7 million resulting from applying a change in statutory state tax rates and a change in the estimated state tax apportionment on our deferred tax balances.

Net Income (Loss) Attributable to FreightCar America

As a result of the foregoing, net income attributable to FreightCar America was $19.1 million for the year ended December 31, 2012, reflecting an increase of $14.2 million from $4.9 million for the year ended December 31, 2011. For 2012, our basic and diluted net income per share were both $1.60, on basic and diluted shares outstanding of 11,932,926 and 11,969,367, respectively. For 2011, our basic and diluted net income per share were both $0.41, on basic and diluted shares outstanding of 11,916,292 and 11,962,196, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity for the years ended December 31, 2013 and 2012, were our cash provided by operations, cash and cash equivalent balances on hand, our securities held to maturity and our revolving credit facilities.

We entered into a new $50.0 million senior secured revolving credit facility (the Revolving Credit Facility) pursuant to a Credit Agreement dated as of July 26, 2013 (the Credit Agreement) by and among us and certain of our subsidiaries, as borrowers, and Bank of America, N.A., as lender, and cancelled our previous credit facility. The Revolving Credit Facility can be used for general corporate purposes, including working capital. As of December 31, 2013, we had no borrowings under the Revolving Credit Facility. The Credit Facility Agreement also contains a sub-facility for letters of credit not to exceed the lesser of $30.0 million and the amount of the senior secured revolving credit facility at such time. As of December 31, 2013, we had $4.6 million in outstanding letters of credit under the Revolving Credit Facility and therefore had $45.4 million available for borrowing under the Revolving Credit Facility. The Credit Agreement has a term ending on July 26, 2016 and revolving loans outstanding thereunder will bear interest at a rate of LIBOR plus an applicable margin of 1.50% or at a base rate, as selected by us. Base rate loans will bear interest at the highest of (a) the federal funds rate plus 0.50%, (b) the prime rate or (c) LIBOR plus 1.00%. We are required to pay a non-utilization fee of between 0.10% and 0.30% on the unused portion of the revolving loan commitment depending on our quarterly average balance of unrestricted cash and our consolidated leverage ratio. Borrowings under the Revolving Credit Facility are secured by a first priority perfected security interest in substantially all of our and our subsidiaries assets excluding railcars held by our railcar leasing subsidiary, JAIX. We also have pledged all of the equity interests in our direct and indirect domestic subsidiaries as security for the Revolving Credit Facility. The Credit Agreement has both affirmative and negative covenants, including, without limitation, a covenant requiring a minimum consolidated net liquidity of $35.0 million and limitations on indebtedness, liens and investments. The Credit Agreement also provides for customary events of default.

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The Revolving Credit Facility replaces our prior revolving credit facility pursuant to a Loan and Security Agreement dated as of July 29, 2010 among FreightCar and certain of its subsidiaries, as borrowers, and Fifth Third Bank, as lender (the Prior Credit Agreement), which was terminated and cancelled effective July 26, 2013 and otherwise would have matured on July 29, 2013. As of December 31, 2012, we had no borrowings or outstanding letters of credit under the Prior Credit Agreement.

Our restricted cash and restricted certificates of deposit balance was $7.8 million as of December 31, 2013 and $14.7 million as of December 31, 2012, and consisted of cash and certificates of deposit used to collateralize standby letters of credit with respect to performance guarantees and to support our worker s compensation insurance claims. The decrease in restricted cash balances as of December 31, 2013 compared to December 31, 2012 was a result of decreases in standby letters of credit with respect to performance guarantees and our corresponding obligation to collateralize them. The standby letters of credit outstanding as of December 31, 2013 are scheduled to expire at various dates through October 1, 2018. We expect to establish restricted cash balances and restricted certificates of deposit in future periods to minimize bank fees related to standby letters of credit.

As of December 31, 2013, the value of leased railcars (including inventory on lease and railcars available for lease) was $53.1 million. We may continue to offer railcars for lease to certain customers and pursue opportunities to sell leased railcars in our portfolio.

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

Our long-term liquidity needs also depend to a significant extent on our obligations related to our pension and welfare benefit plans. We provide pension and retiree welfare benefits to certain salaried and hourly employees upon their retirement. Benefits under our pension plans are now frozen and will not be impacted by increases due to future service. The most significant assumptions used in determining our net periodic benefit costs are the discount rate used on our pension and postretirement welfare obligations and expected return on pension plan assets. As of December 31, 2013, our benefit obligation under our defined benefit pension plans and our postretirement benefit plan was $56.3 million and $63.3 million, respectively, which exceeded the fair value of plan assets by $0.8 million and $63.3 million, respectively. We made contributions of $0.2 million to our defined benefit pension plans during 2013. As disclosed in Note 12 to the consolidated financial statements, we expect to make contributions of $0.3 million to our defined benefit pension plans in 2014. The Pension Protection Act of 2006 provides for changes to the method of valuing pension plan assets and liabilities for funding purposes as well as minimum funding levels. Our defined benefit pension plans are in compliance with the minimum funding levels established in the Pension Protection Act. Funding levels will be affected by future contributions, investment returns on plan assets, growth in plan liabilities and interest rates. Assuming that the plans are fully funded as that term is defined in the Pension Protection Act, we will be required to fund the ongoing growth in plan liabilities on an annual basis.

We made payments to our postretirement benefit plan of $3.2 million during 2013. A substantial portion of our postretirement benefit plan obligation relates to an expired settlement agreement with the union representing employees at the Company s and its predecessors Johnstown manufacturing facilities. The terms of that settlement agreement (the 2005 Settlement Agreement) required us to pay until November 30, 2012 certain monthly amounts toward the cost of retiree health care coverage. We engaged in voluntary negotiations for two years in an effort to reach a consensual agreement related to the expired 2005 Settlement Agreement but no agreements were reached. We terminated, effective November 1, 2013, our contributions for medical coverage and life insurance benefits to affected retirees and are seeking declaratory relief to confirm our rights under the Employee Retirement Income Security Act of 1974, as amended, to reduce or terminate retiree medical coverage and life insurance benefits pursuant to the plans that were the subject of the 2005 Settlement Agreement. On July 9, 2013, the union and certain retiree defendants filed suit in the United States District Court for the Western District of Pennsylvania regarding the same dispute (see Note 15 to the Consolidated Financial Statements). The outcome of the pending litigation and the

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impact on our postretirement benefit plan obligation cannot be determined at this time. The Company s postretirement benefit plan obligation could significantly increase or decrease as a result of the litigation or if the parties agree to an alternative settlement agreement. We anticipate funding pension plan contributions and postretirement benefit plan payments with cash from operations and available cash.

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

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2013, and the effect that these obligations would be expected to have on our liquidity and cash flow in future periods:

	Payments Due by Period *(In thousands)*				
Contractual Obligations	**Total**	**1 Year**	**2-3 Years**	**4-5 Years**	**After 5 Years**
Operating leases	$ 82,721	$ 10,305	$ 19,104	$ 17,625	$ 35,687
Material and component purchases	25,745	166	15,987	9,592	
Total	$ 108,466	$ 10,471	$ 35,091	$ 27,217	$ 35,687

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

The above table excludes $3.7 million related to a reserve for uncertain tax benefits and accrued interest and penalties at December 31, 2013 because the timing of the payout of these amounts cannot be determined.

We are a party to letter agreements regarding terms of employment with our President and Chief Executive Officer, Vice President, Finance, Chief Financial Officer and Treasurer, General Counsel and Corporate Secretary and an employment agreement with our Senior Vice President, Human Resources. See Item 11. Executive Compensation.

We are also required to make minimum contributions to our pension and postretirement welfare plans as discussed above.

Cash Flows

The following table summarizes our net cash provided by or used in operating activities, investing activities and financing activities for the years ended December 31, 2013, 2012 and 2011:

(Amounts in thousands)

	2013	2012	2011
Net cash provided by (used in):			
Operating activities	$ 32,243	$ 53,002	$ 29,969
Investing activities	(619)	(53,425)	10,193
Financing activities	15,373	(2,938)	(72)
Total	$ 46,997	$ (3,361)	$ 40,090

Operating Activities. Our net cash provided by or used in operating activities reflects net income or loss adjusted for non-cash charges and changes in operating assets and liabilities. Cash flows from operating activities are affected by several factors, including fluctuations in business volume, contract terms for billings and collections, the timing of collections on our contract receivables, processing of bi-weekly payroll and associated taxes, and payments to our suppliers. As some of our customers accept delivery of new railcars in train-set quantities of up to 120 to 135 railcars, variations in our sales lead to significant fluctuations in our operating profits and cash from operating activities. We do not usually experience business credit issues, although a payment may be delayed pending completion of closing documentation.

Our net cash provided by operating activities for the year ended December 31, 2013 was $32.2 million compared to $53.0 million for the year ended December 31, 2012. Our net cash provided by operating activities for the year ended December 31, 2013 included a customer deposit of $89.3 million for railcars to be delivered in 2014, which was partially offset by changes in working capital and additions to the lease fleet. Our net cash provided by operating activities for the year ended December 31, 2012 primarily included net income from operations and changes in working capital. Our net cash provided by operating activities for the year ended December 31, 2011 included increases in account and contractual payables and customer deposits of $15.4 million and $14.4 million, respectively, and other working capital changes. The increase in account and contractual payables for the year ended December 31, 2011 primarily represents purchases of materials to support increased production levels.

Investing Activities. Net cash used in investing activities for the year ended December 31, 2013 was $0.6 million compared to net cash used in investing activities of $53.4 million for the year ended December 31, 2012. Net cash used in investing activities for the year ended December 31, 2013 included purchases of property plant and equipment of $17.3 million, which were partially offset by maturities of securities (net of purchases) of $3.0 million, changes in restricted cash and restricted certificates of deposit of $6.9 million related to decreases in collateralization obligations with respect to letters of credit for performance guarantees and proceeds from the sale of railcars available for lease of $6.7 million.

Net cash used in investing activities for the year ended December 31, 2012 included the purchase of securities of $42.0 million, restricted cash deposits for collateralization of letters of credit of $12.9 million and purchases of property, plant and equipment of $9.1 million, which were partially offset by proceeds from the sale of railcars available for lease of $10.5 million. The most significant investing activities for the year ended December 31, 2011 were the sale of railcars available for lease for $11.7 million, which was partially offset by purchases of property, plant and equipment of $1.8 million.

Financing Activities. Net cash provided by financing activities for the year ended December 31, 2013 was $15.4 million compared to net cash used in financing activities of $2.9 million for the year ended December 31, 2012. Net cash provided by financing activities for the year months ended December 31, 2013 included proceeds of a $19.4 million customer advance for leased railcars delivered for which, in accordance with ASC 840, *Leases*, revenue cannot be recognized until all contingencies have been resolved, which was partially offset by advance repayments of $0.9 million. Financing activities for each of the years ended December 31, 2013 and 2012, included $2.9 million of cash dividends paid to our stockholders.

Capital Expenditures

Our capital expenditures were $17.3 million for the year ended December 31, 2013 compared to $9.1 million for the year ended December 31, 2012. Capital expenditures for 2013 were primarily purchases of equipment for our Shoals facility, which delivered its first railcars during the fourth quarter of 2013. Capital expenditures for 2012 were primarily cash outlays to enhance our capability to more efficiently produce a more diverse railcar product line in our existing facilities. The first non-coal railcars manufactured using these enhanced capabilities were delivered in the fourth quarter of 2012.

Excluding unforeseen expenditures, management expects that total capital expenditures will be approximately $10.0 million for 2014, including capital expenditures for our Shoals facility.

CRITICAL ACCOUNTING POLICIES

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States. The preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the reporting period. Significant estimates include long-lived assets, goodwill, pension and postretirement benefit assumptions, the valuation reserve on net deferred tax assets, warranty accrual and contingencies and litigation. Actual results could differ from those estimates.

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Our critical accounting policies include the following:

Long-lived assets

We evaluate long-lived assets, including property, plant and equipment, under the provisions of ASC 360, *Property, Plant and Equipment*, which addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of. For assets to be held or used, we group a long-lived asset or assets with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. An impairment loss for an asset group reduces only the carrying amounts of a long-lived asset or assets of the group being evaluated. Our estimates of future cash flows used to test the recoverability of a long-lived asset group include only the future cash flows that are directly associated with and that are expected to arise as a direct result of the use and eventual disposition of the asset group. Our future cash flow estimates exclude interest charges.

We test long-lived assets for recoverability whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. These changes in circumstances may include a significant decrease in the market price of an asset group, a significant adverse change in the manner in or extent to which an asset group is used, a current year operating loss combined with a history of operating losses or a current expectation that, more likely than not, a long-lived asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. If indicators of impairment are present, we then determine if the carrying value of the asset group is recoverable by comparing the carrying value of the asset group to total undiscounted future cash flows of the asset group. If the carrying value of the asset group is not recoverable, an impairment loss is measured based on the excess of the carrying amount of asset group over the estimated fair value of the asset group.

Based on our backlog for coal car orders as of December 31, 2013 and given the soft current industry outlook, we are unable to predict when our Danville manufacturing facility will resume operations and therefore we tested the long-lived assets at our Danville facility for impairment as of December 31, 2013. The carrying values of property, plant and equipment at the Danville facility were reduced to their estimated fair market values, resulting in a pre-tax impairment charge of $7.6 million for the year ended December 31, 2013. Fair market values were estimated using the market approach for items in which there is an active secondary market where recent sales of comparable assets exist. The market approach establishes value through analysis of recent sales of comparable property. An analysis is made of the differences between the comparable properties and the subject property, and the sales prices are correspondingly adjusted to arrive at indications of the subject property s value. In instances where market data was available but deemed too incomplete to apply a complete market approach, the market relationship data available was used to adjust the cost approach analysis. In instances where market data was unavailable the cost approach analysis was used. The cost approach recognizes that a prudent investor would not ordinarily pay more for an asset than the cost to replace it new. The first step is to estimate the reproduction/replacement cost new of an asset using current materials, prices and labor. The cost new is then reduced by the amount of depreciation resulting from physical deterioration, functional obsolescence and economic/external obsolescence that are inherent in the asset. The resulting depreciated replacement cost is an indication of the fair value of an asset providing all elements of depreciation are addressed.

Due to management s decision to close the Clinton maintenance and repair shop, we also evaluated the recoverability of its long-lived assets and as a result reduced the carrying values of property, plant and equipment to their estimated fair market values, resulting in a pre-tax charge of $1.5 million for the year ended December 31, 2013. The estimated fair market values represent estimated salvage values of buildings, equipment and rail at the facility and the estimated sales value for the associated land.

We did not perform an impairment any analysis of long-lived assets during 2012 or 2011 because we did not identify any impairment indicators that we believe would have required long-lived assets at our facilities to be tested for recoverability during 2012 or 2011.

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Impairment of goodwill and intangible assets

We have recorded on our balance sheet both goodwill and intangible assets, which consist of patents and customer related intangibles. We assess the carrying value of goodwill for impairment as required by ASC 350, *Intangibles Goodwill and Other*, annually or more frequently whenever events occur and circumstances change indicating potential impairment. During our annual goodwill impairment assessment as of August 1, 2013, management estimated the value of our reporting units that carry goodwill using the income approach which indicates the fair value of a business based on the present value of the cash flows that the business can be expected to generate in the future and the market approach, which uses the price at which shares of similar companies are exchanged to estimate the fair value of a company s equity. Within the income approach, the discounted cash flow method was used, and within the market approach, the guideline company method was used. Fair value based on the income approach was given a 60% weighting and fair value based on the market approach was given a 40% weighting. During our annual goodwill impairment assessment for 2012 and 2011, management estimated the value of our reporting units using the discounted cash flow method.

Management determined that there are three reporting units for the purposes of testing goodwill: Manufacturing, Repairs and Maintenance and Parts. For each reporting unit with goodwill (Manufacturing with $21.5 million and Repairs and Maintenance with $0.6 million as of December 31, 2013), we concluded that the estimated fair value of each reporting unit s net assets exceeded the carrying value as of the dates of our impairment tests for 2013, 2012 and 2011. Additional steps, including an allocation of the estimated fair value to our assets and liabilities, would be necessary to determine the amount, if any, of goodwill impairment if the fair value of our net assets were less than their carrying value.

The discounted cash flow method involves management making estimates with respect to a variety of factors that will significantly impact the future performance of the business, including:

- future railcar volume projections based on an industry-specific outlook for railcar demand;
- estimated margins on railcar sales and maintenance and repair services;
- estimated growth rate for selling, general and administrative costs;
- future effective tax rate for our Company; and
- weighted-average cost of capital (WACC) used to discount future performance of our Company.

Because these estimates form a basis for the determination of whether or not an impairment charge should be recorded, these estimates are considered to be critical accounting estimates.

We use industry data to estimate volume projections in our discounted cash flow method. We believe that this independent industry data is the best indicator of expected future performance assuming that we maintain a consistent market share, which management believes is supportable based on historical performance. Our estimated margins used in the discounted cash flow method are based primarily on historical margins. Management estimated a WACC of 15% for our August 1, 2013 goodwill impairment valuation analyses for our Manufacturing reporting unit and 14% for our Repair and Maintenance reporting unit.

In addition to estimating the fair value of the net assets of our Manufacturing reporting unit using the discounted cash flow method in the base case scenario, we also estimated the fair value of the net assets in our Manufacturing reporting unit using the discounted cash flow method for alternate scenarios, including the impact of an increase in the selling, general and administrative cost growth rate by 50 basis points, a decrease in revenue or terminal growth rate by 50 basis points, a change in tax rate by 50 basis points or the impact of a 50 basis point increase in the WACC used in the discounted cash flow method. We compared the estimated fair value of the net assets in our Manufacturing reporting unit using the discounted cash flow method in the base case scenario to the alternate scenarios. Each of these alternate scenarios reduced the estimated fair value of the net assets in our Manufacturing reporting unit using the discounted cash flow method compared to the estimated fair value of the net assets in our Manufacturing reporting unit in the base case. However, in all scenarios, the estimated fair value of the net assets in our Manufacturing reporting unit exceeded the carrying value.

In addition to estimating the fair value of the net assets of our Repair and Maintenance reporting unit using the discounted cash flow method in the base case scenario, we also estimated the fair value of the net assets in our Repair and Maintenance reporting unit using the discounted cash flow method for alternate scenarios, including the impact of an increase in the selling, general and administrative cost growth rate by 50 basis points, a decrease in revenue or terminal growth rate by 50 basis points, a change in tax rate by 50 basis points or the impact of a 50 basis point increase in the WACC used in the discounted cash flow method. We compared the estimated fair value of the net assets in our Repair and Maintenance reporting unit using the discounted cash flow method in the base case scenario to the alternate scenarios. Each of these alternate scenarios reduced the estimated fair value of the net assets in our Repair and Maintenance reporting unit using the discounted cash flow method compared to the estimated fair value of the net assets in our Repair and Maintenance reporting unit in the base case. However, in all scenarios, the estimated fair value of the net assets in our Repair and Maintenance reporting unit exceeded the carrying value.

The guideline company method values a business by comparing the subject company to similar publicly traded companies. The application of the guideline company method consists of several steps including:

- identifying the most similar publicly traded companies to the reporting unit;

- reviewing financial and supplemental data, such as market prices and business descriptions for the selected companies;

- calculating valuation multiples for the selected publicly traded guideline companies;

- performing comparative analysis to select valuation multiples and then applying them to the financial data of the reporting unit to arrive at a preliminary indication of the value of the reporting units invested capital on a marketable, minority basis;

- applying a control premium to the indicated equity values on a marketable, minority basis to arrive at the indicated value of common equity on a marketable, controlling basis; and

- where appropriate making adjustments to add the appropriate balances related to cash and short-term investments, excess working capital and the benefits of net operating loss carryforwards.

Pensions and postretirement benefits

We provide pension and retiree welfare benefits to certain salaried and hourly employees upon their retirement. The most significant assumptions used in determining our net periodic benefit costs are the expected return on pension plan assets and the discount rate used to calculate the present value of our pension and postretirement welfare plan liabilities.

In 2013, we assumed that the expected long-term rate of return on pension plan assets on a plan by plan basis would range from 5.76% to 6.99%. As permitted under ASC 715 the assumed long-term rate of return on assets is applied to a calculated value of plan assets, which recognizes changes in the fair value of plan assets in a systematic manner over five years. This produces the expected return on plan assets that is included in our net periodic benefit cost. The difference between this expected return and the actual return on plan assets is deferred. The net deferral of past asset gains (losses) affects the calculated value of plan assets and, ultimately, future net periodic benefit cost. We review the expected return on plan assets annually and would revise it if conditions should warrant. A change of one hundred basis points in the expected long-term rate of return on plan assets would have the following effect:

	1% Increase	1% Decrease
	(in thousands)	
Effect on net periodic benefit cost	$ (508)	$ 508

At the end of each year, we determine the discount rate to be used to calculate the present value of our pension and postretirement welfare plan liabilities. The discount rate is an estimate of the current interest rate at which our pension liabilities could be effectively settled at the end of the year. In estimating this rate, we look to rates of return on high-quality, fixed-income investments that receive one of the two highest ratings given by a recognized ratings agency. At December 31, 2013, we determined this rate on our postretirement welfare plan to be 4.75%, an increase of 0.80% from the 3.95% rate used at December 31, 2012. At December 31, 2013, we determined this rate on our pension plans on a plan by plan basis with results ranging from 4.67% to 4.96%. A change of one hundred basis points in the discount rate would have the following effect:

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	1% Increase	1% Decrease
	(in thousands)	
Effect on net periodic benefit cost	$ 117	$ (229)

For the years ended December 31, 2013, 2012 and 2011, we recognized consolidated pre-tax pension cost of $(0.5) million, $(0.04) and $(0.3) million, respectively. We currently expect to make contributions of $0.3 million to our pension plans during 2014. However, we may elect to adjust the level of contributions based on a number of factors, including performance of pension investments and changes in interest rates. The Pension Protection Act of 2006 provided for changes to the method of valuing pension plan assets and liabilities for funding purposes as well as requiring minimum funding levels. Our defined benefit pension plans are in compliance with minimum funding levels established in the Pension Protection Act. Funding levels will be affected by future contributions, investment returns on plan assets, growth in plan liabilities and interest rates. Once the plan is fully funded as that term is defined within the Pension Protection Act, we will be required to fund the ongoing growth in plan liabilities on an annual basis. We anticipate funding pension contributions with cash from operations.

For the years ended December 31, 2013, 2012 and 2011, we recognized a consolidated pre-tax postretirement welfare benefit cost of $3.6 million, $3.7 million and $3.8 million, respectively. A substantial portion of our postretirement benefit plan obligation relates to an expired settlement agreement with the union representing employees at the Company s and its predecessors Johnstown manufacturing facilities. The terms of that settlement agreement (the 2005 Settlement Agreement) required us to pay until November 30, 2012 certain monthly amounts toward the cost of retiree health care coverage. We engaged in voluntary negotiations for two years in an effort to reach a consensual agreement related to the expired 2005 Settlement Agreement but no agreements were reached. The Company terminated, effective November 1, 2013, our contributions for medical coverage and life insurance benefits to affected retirees. On July 8, 2013, we filed a complaint seeking declaratory relief from the United States District Court for the Northern District of Illinois to confirm our right to reduce or terminate retiree medical coverage and life insurance benefits pursuant to our plans that were the subject of the 2005 Settlement Agreement and, on July 9, 2013, the union and certain retiree defendants filed suit in the United States District Court for the Western District of Pennsylvania regarding the same dispute (see Note 15 to the Consolidated Financial Statements). The outcome of the pending litigation and the impact on our postretirement benefit plan obligation cannot be determined at this time. The Company s postretirement benefit plan obligation could significantly increase or decrease as a result of the litigation or if the parties agree to an alternative settlement agreement.

Income taxes

We account for income taxes under the asset and liability method prescribed by ASC 740, *Income Taxes.* We provide for deferred income taxes based on differences between the book and tax bases of our assets and liabilities and for items that are reported for financial statement purposes in periods different from those for income tax reporting purposes. The deferred tax liability or asset amounts are based upon the enacted tax rates expected to apply to taxable income in the periods in which the deferred tax liability or asset is expected to be settled or realized.

Our income tax expense, deferred tax assets and liabilities and reserves for unrecognized tax benefits reflect our best assessment of estimated future taxes to be paid. Management judgment is required in developing our provision for income taxes, including the determination of deferred tax assets, liabilities and any valuation allowances recorded against the deferred tax assets. We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In evaluating whether it is more likely than not that our net deferred tax assets will be realized, we consider both positive and negative evidence including the reversal of existing taxable temporary differences, taxable income in prior carryback years if carryback is permitted under the tax law and such taxable income has not previously been used for carryback, future taxable income exclusive of reversing temporary differences and carryforwards based on near-term and longer-term projections of operating results and the length of the carryforward period. We evaluate the realizability of our net deferred tax assets and assess the valuation allowance on a quarterly basis, adjusting the amount of such allowance, if necessary. Failure to achieve forecasted taxable income might affect the ultimate realization of the net deferred tax assets. Factors that may affect our ability to achieve sufficient forecasted taxable income include, but are not limited to, increased competition, a decline in sales or margins and loss of market share.

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At December 31, 2013, we had total net deferred tax assets of $30.8 million. The railcar market has an established history of cyclicality based on significant swings in customer demand. Industry projections forecast this trend to continue. Although realization of our net deferred tax assets is not certain, management has concluded that, based on the positive and negative evidence considered, we will more likely than not realize the full benefit of the deferred tax assets except for our deferred tax assets in certain states in which we operate. At December 31, 2013, we had a valuation allowance of $6.6 million against the tax benefit of net operating loss carryforwards in certain states in which we operate.

Product warranties

We warrant that new railcars produced by us will be free from defects in material and workmanship in normal use identified for a period of up to five years from the time of sale. With respect to parts and materials manufactured by others and incorporated by us in our products, such parts and materials are covered only by the warranty provided by the original manufacturer. We establish a warranty reserve at the time of sale to account for future warranty charges. The warranty reserve consists of two categories: assigned claims and unassigned claims. The unassigned warranty reserve is calculated based on historical warranty costs for the specific railcar types adjusted for estimated material price changes and other factors. Once a warranty claim is filed for railcars under warranty, the estimated cost to correct the defect is moved from the unassigned reserve to the assigned reserve and tracked separately.

Revenue recognition

We recognize revenues on new and rebuilt railcars when (1) individual cars are completed, (2) the railcars are accepted by the customer following inspection, (3) the risk for any damage or other loss with respect to the railcars passes to the customer and (4) title to the railcars transfers to the customer. We do not record any returns or allowances against sales. We value used railcars received at their estimated fair market value at the date of receipt less a normal profit margin.

We recognize service-related revenue from maintenance and repairs and inspections when all significant maintenance or repair or inspections services have been completed, quality accepted and delivery has occurred. We recognize revenue from parts sales when the risk of any damage or loss and title passes to the customer and delivery has occurred.

We recognize operating lease revenue on Inventory on Lease on a contractual basis and recognize operating lease revenue on Railcars Available for Lease on a straight-line basis over the life of the lease. We recognize revenue from the sale of Inventory on Lease on a gross basis in manufacturing sales and cost of sales if the manufacture of the railcars and the sales process is completed within 12 months. We recognize revenue from the sale of Railcars Available for Lease on a net basis as Gain (Loss) on Sale of Railcars Available for Lease since the sale represents the disposal of a long-term operating asset.

We recognize a loss when we have a contractual commitment to manufacture railcars at an estimated cost in excess of the contractual selling price.

RECENT ACCOUNTING PRONOUNCEMENTS

In February 2013, the FASB issued ASU 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income* (ASU 2013-02). ASU 2013-02 requires entities to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, entities are required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amounts are required to be reclassified to net income in their entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, entities are required to cross-reference to other disclosure that provides additional detail on these amounts. This standard is effective prospectively for reporting periods beginning after December 15, 2012. The adoption of these changes had no impact on our consolidated financial position, results of operations or cash flows. (See Note 11 to the consolidated financial statements)

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FORWARD-LOOKING STATEMENTS

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

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

- the cyclical nature of our business;
- the highly competitive nature of our industry;
- our reliance upon a small number of customers that represent a large percentage of our sales;
- the variable purchase patterns of our customers and the timing of completion, delivery and customer acceptance of orders;
- the availability and price of used railcars offered for sale and new or used railcars offered for lease;
- fluctuating costs of raw materials, including steel and aluminum, and delays in the delivery of raw materials;
- limitations on the supply of railcar components;
- our reliance on the sales of our coal cars;
- international economic and political risks to the extent we expand our sales of products and services internationally;
- the risk of lack of acceptance of our new railcar offerings by our customers;
- our reported backlog may not indicate what our future sales will be;
- potential significant warranty claims;
- our ability to successfully integrate our Shoals facility or any acquired business with our existing business;
- shortages of skilled labor;
- our ability to manage our health care and pension costs;
- risks relating to our relationship with our unionized employees and their unions;
- our ability to maintain relationships with our suppliers of railcar components;
- the cost of complying with environmental laws and regulations; and
- various covenants in the agreements governing our indebtedness that limit our management s discretion in the operation of our businesses.

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We have a $50 million senior secured revolving credit facility, the proceeds of which can be used for general corporate purposes, including working capital. On an annual basis, a 1% change in the interest rate in our revolving credit facility will increase or decrease our interest expense by $10,000 for every $1.0 million of outstanding borrowings. As of December 31, 2013, we had $4.6 million in outstanding letters of credit under the Revolving Credit Facility and therefore had $45.4 million available for borrowing under the Revolving Credit Facility.

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

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

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Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

FreightCar America, Inc.

Chicago, Illinois

We have audited the accompanying consolidated balance sheets of FreightCar America, Inc. and subsidiaries (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), stockholders equity, and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of FreightCar, America, Inc. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 14, 2014 expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois

March 14, 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

FreightCar America, Inc.

Chicago, Illinois

We have audited the internal control over financial reporting of FreightCar America, Inc. and subsidiaries (the Company) as of December 31, 2013, based on criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel 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. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2013 of the Company and our report dated March 14, 2014 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois

March 14, 2014

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FreightCar America, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(in thousands except share and per share data)

	December 31, 2013		December 31, 2012	
Assets				
Current assets				
Cash and cash equivalents	$	145,506	$	98,509
Restricted cash and restricted certificates of deposit		7,780		14,700
Marketable securities		38,988		41,978
Accounts receivable, net of allowance for doubtful accounts of $221 and $299, respectively		4,034		12,987
Inventories, net		66,340		73,842
Inventory on lease		16,955		
Other current assets		6,768		7,130
Deferred income taxes, net		11,017		12,079
Total current assets		297,388		261,225
Property, plant and equipment, net		39,396		39,343
Railcars available for lease, net		36,110		43,435
Goodwill		22,128		22,128
Deferred income taxes, net		19,758		18,940
Other long-term assets		2,939		3,494
Total assets	$	417,719	$	388,565
Liabilities and Stockholders Equity				
Current liabilities				
Accounts and contractual payables	$	16,016	$	33,453
Accrued payroll and employee benefits		3,981		6,548
Accrued postretirement benefits		413		4,978
Accrued warranty		6,957		7,625
Customer deposits		91,771		36,087
Customer advance		19,037		
Other current liabilities		9,053		7,885
Total current liabilities		147,228		96,576
Accrued pension costs		845		12,193
Accrued postretirement benefits, less current portion		62,899		64,322
Accrued taxes and other long-term liabilities		4,212		4,143
Total liabilities		215,184		177,234

Stockholders equity

Preferred stock, $0.01 par value, 2,500,000 shares authorized (100,000 shares each designated as Series A voting and Series B non-voting, 0 shares issued and outstanding at December 31, 2013 and 2012)				
Common stock, $0.01 par value, 50,000,000 shares authorized, 12,731,678 shares issued at December 31, 2013 and 2012		127		127
Additional paid in capital		99,265		100,402
Treasury stock, at cost, 682,264 and 752,167 shares at December 31, 2013 and 2012, respectively		(30,970)		(34,488)
Accumulated other comprehensive loss		(15,132)		(26,139)
Retained earnings		149,245		171,429
Total stockholders equity		202,535		211,331
Total liabilities and stockholders equity	$	417,719	$	388,565

See notes to the consolidated financial statements.

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FreightCar America, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share data)

	Year Ended December 31, 2013	2012	2011
Revenues	$ 290,393	$ 677,449	$ 486,986
Cost of sales	277,168	612,463	455,040
Gross profit	13,225	64,986	31,946
Selling, general and administrative expenses	27,464	32,736	28,660
Gain on sale of railcars available for lease	(604)	(989)	(2,227)
Restructuring and impairment charges	10,452		
Operating (loss) income	(24,087)	33,239	5,513
Interest expense and deferred financing costs	(809)	(384)	(226)
Other income	64	11	6
Income (loss) before income taxes	(24,832)	32,866	5,293
Income tax (benefit) provision	(5,537)	13,771	354
Net (loss) income	(19,295)	19,095	4,939
Less: Net income attributable to noncontrolling interest in JV			4
Net (loss) income attributable to FreightCar America	$ (19,295)	$ 19,095	$ 4,935
Net (loss) income per common share attributable to FreightCar America basic	$ (1.61)	$ 1.60	$ 0.41
Net (loss) income per common share attributable to FreightCar America diluted	$ (1.61)	$ 1.60	$ 0.41
Weighted average common shares outstanding basic	11,954,238	11,932,926	11,916,292
Weighted average common shares outstanding diluted	11,954,238	11,969,367	11,962,196
Dividends declared per common share	$ 0.24	$ 0.24	$

See notes to the consolidated financial statements.

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FreightCar America, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

	Year Ended December 31,		
	2013	**2012**	**2011**
Net (loss) income	$ (19,295)	$ 19,095	$ 4,939
Other comprehensive income (loss), net of tax:			
Pension liability adjustments, net of tax	6,926	(461)	(1,978)
Postretirement liability adjustments, net of tax	4,081	(3,376)	(309)
Change in foreign currency translation adjustments			(15)
Other comprehensive income (loss)	11,007	(3,837)	(2,302)
Comprehensive (loss) income	(8,288)	15,258	2,637
Comprehensive income attributable to non-controlling interest			4
Comprehensive (loss) income attributable to FreightCar America	$ (8,288)	$ 15,258	$ 2,633

See notes to the consolidated financial statements.

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FreightCar America, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(in thousands, except for share data)

	FreightCar America Shareholders								
	Common Stock		Additional Paid In Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Noncontrolling Interest in JV	Total Stockholders Equity
Balance, January 1, 2011	12,731,678	$ 127	$ 98,722	(790,486)	$ (36,539)	$ (20,000)	$ 150,274	$ (4)	$ 192,580
Net income							4,935	4	4,939
Other comprehensive loss						(2,302)			(2,302)
Restricted stock awards			(792)	17,147	792				
Employee restricted stock settlement				(3,413)	(88)				(88)
Forfeiture of restricted stock awards			69	(3,568)	(69)				
Stock-based compensation recognized			2,189						