FreightCar America, Inc.
Form 10-Q
May 10, 2013


# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

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

**For the Quarterly Period Ended March 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**<br>**(State or other jurisdiction of**<br><br>**incorporation or organization)** | **25-1837219**<br>**(I.R.S. Employer**<br><br>**Identification No.)** |
| **Two North Riverside Plaza, Suite 1300**<br><br>**Chicago, Illinois**<br>**(Address of principal executive offices)** | **60606**<br>**(Zip Code)** |

**(800) 458-2235**

**(Registrant s telephone number, including area code)**

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

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

As of April 26, 2013, there were 12,024,823 shares of the registrant s common stock outstanding.

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**FREIGHTCAR AMERICA, INC.**

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**PART I FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**FreightCar America, Inc.**

**Condensed Consolidated Balance Sheets**

**(Unaudited)**

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| | *(In thousands, except share and per share data)* | |
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 73,077 | $ 98,509 |
| Restricted cash | 2,969 | 14,700 |
| Marketable securities | 41,988 | 41,978 |
| Accounts receivable, net of allowance for doubtful accounts of $274 and $299, respectively | 10,783 | 12,987 |
| Inventories, net | 75,824 | 73,842 |
| Other current assets | 7,308 | 7,130 |
| Deferred income taxes, net | 12,079 | 12,079 |
| Total current assets | 224,028 | 261,225 |
| Property, plant and equipment, net | 50,790 | 39,343 |
| Railcars available for lease, net | 43,132 | 43,435 |
| Goodwill | 22,128 | 22,128 |
| Deferred income taxes, net | 15,930 | 18,940 |
| Other long-term assets | 3,318 | 3,494 |
| Total assets | $ 359,326 | $ 388,565 |
| **Liabilities and Stockholders Equity** | | |
| Current liabilities | | |
| Accounts and contractual payables | $ 18,277 | $ 33,453 |
| Accrued payroll and employee benefits | 3,440 | 6,548 |
| Accrued postretirement benefits | 4,978 | 4,978 |
| Accrued warranty | 7,468 | 7,625 |
| Customer deposits | 27,383 | 36,087 |
| Other current liabilities | 9,249 | 7,885 |
| Total current liabilities | 70,795 | 96,576 |
| Accrued pension costs | 11,938 | 12,193 |
| Accrued postretirement benefits, less current portion | 63,805 | 64,322 |
| Accrued taxes and other long-term liabilities | 4,156 | 4,143 |
| Total liabilities | 150,694 | 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 March 31, 2013 and December 31, 2012) | | |
| Common stock, $0.01 par value, 50,000,000 shares authorized, 12,731,678 shares issued at March 31, 2013 and December 31, 2012 | 127 | 127 |

| | | | | |
|---|---|---|---|---|
| Additional paid in capital | | 98,667 | | 100,402 |
| Treasury stock, at cost, 706,855 and 752,167 shares at March 31, 2013 and December 31, 2012, respectively | | (32,309) | | (34,488) |
| Accumulated other comprehensive loss | | (25,916) | | (26,139) |
| Retained earnings | | 168,063 | | 171,429 |
| Total stockholders equity | | 208,632 | | 211,331 |
| Total liabilities and stockholders equity | $ | 359,326 | $ | 388,565 |

*See Notes to Condensed Consolidated Financial Statements.*

**Table of Contents**

**FreightCar America, Inc.**

**Condensed Consolidated Statements of Operations**

**(Unaudited)**

| | Three Months Ended March 31, 2013 | Three Months Ended March 31, 2012 |
|---|---|---|
| | *(In thousands, except share and per share data)* | |
| Revenues | $ 87,615 | $ 219,066 |
| Cost of sales | 82,646 | 195,335 |
| Gross profit | 4,969 | 23,731 |
| Selling, general and administrative expenses | 4,431 | 8,693 |
| Gain on sale of railcars available for lease | (14) | (948) |
| Operating income | 552 | 15,986 |
| Interest income | 14 | 2 |
| Interest expense | (98) | (92) |
| Income before income taxes | 468 | 15,896 |
| Income tax provision | 3,112 | 6,162 |
| Net (loss) income | $ (2,644) | $ 9,734 |
| Net (loss) income per common share basic | $ (0.22) | $ 0.82 |
| Net (loss) income per common share diluted | $ (0.22) | $ 0.81 |
| Weighted average common shares outstanding basic | 11,943,423 | 11,924,418 |
| Weighted average common shares outstanding diluted | 11,943,423 | 11,979,727 |
| Dividends declared per common share | $ 0.06 | $ 0.06 |

*See Notes to Condensed Consolidated Financial Statements.*

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**FreightCar America, Inc.**

**Condensed Consolidated Statements of Comprehensive (Loss) Income**

**(Unaudited)**

| | Three Months Ended March 31, 2013 | Three Months Ended March 31, 2012 |
|---|---|---|
| | *(In thousands)* | |
| Net (loss) income | $ (2,644) | $ 9,734 |
| Other comprehensive income, net of tax: | | |
| Pension liability reclassified to net income (net of taxes of $46 and $48 ) | 85 | 78 |
| Postretirement liability reclassified to net income (net of taxes of $76 and $59) | 138 | 95 |
| Other comprehensive income | 223 | 173 |
| Comprehensive (loss) income | $ (2,421) | $ 9,907 |

*See Notes to Condensed Consolidated Financial Statements.*

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**FreightCar America, Inc.**

**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (Unaudited)**

(in thousands, except for share data)

| | FreightCar America Stockholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid In Capital | Treasury Stock | | Accumulated Other Comprehensive Loss | Retained Earnings | Total Stockholders Equity |
| | Shares | Amount | | Shares | Amount | | | |
| **Balance, December 31, 2011** | 12,731,678 | $ 127 | $ 100,204 | (780,320) | $ (35,904) | $ (22,302) | $ 155,209 | $ 197,334 |
| Net income | | | | | | | 9,734 | 9,734 |
| Other comprehensive income | | | | | | 173 | | 173 |
| Restricted stock awards | | | (651) | 14,150 | 651 | | | |
| Employee restricted stock settlement | | | | (763) | (17) | | | (17) |
| Stock-based compensation recognized | | | 458 | | | | | 458 |
| Cash dividends | | | | | | | (718) | (718) |
| **Balance, March 31, 2012** | 12,731,678 | $ 127 | $ 100,011 | (766,933) | $ (35,270) | $ (22,129) | $ 164,225 | $ 206,964 |
| **Balance, December 31, 2012** | 12,731,678 | $ 127 | $ 100,402 | (752,167) | $ (34,488) | $ (26,139) | $ 171,429 | $ 211,331 |
| Net loss | | | | | | | (2,644) | (2,644) |
| Other comprehensive income | | | | | | 223 | | 223 |
| Restricted stock awards | | | (2,281) | 49,740 | 2,281 | | | |
| Employee restricted stock settlement | | | | (2,212) | (54) | | | (54) |
| Forfeiture of restricted stock awards | | | 48 | (2,216) | (48) | | | |
| Stock-based compensation recognized | | | 498 | | | | | 498 |
| Cash dividends | | | | | | | (722) | (722) |
| **Balance, March 31, 2013** | 12,731,678 | $ 127 | $ 98,667 | (706,855) | $ (32,309) | $ (25,916) | $ 168,063 | $ 208,632 |

**See Notes to Condensed Consolidated Financial Statements.**

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**FreightCar America, Inc.**

**Condensed Consolidated Statements of Cash Flows**

**(Unaudited)**

| | Three Months Ended March 31, 2013 | 2012 |
|---|---|---|
| | *(In thousands)* | |
| **Cash flows from operating activities** | | |
| Net (loss) income | $ (2,644) | $ 9,734 |
| Adjustments to reconcile net (loss) income to net cash flows (used in) provided by operating activities | | |
| Depreciation and amortization | 2,223 | 2,097 |
| Gain on sale of railcars available for lease | (14) | (948) |
| Other non-cash items, net | (242) | 209 |
| Deferred income taxes | 2,888 | 6,468 |
| Stock-based compensation recognized | 498 | 458 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 2,204 | (2,201) |
| Inventories | (1,745) | (4,491) |
| Other assets | (173) | (4,283) |
| Accounts and contractual payables | (15,004) | 23,686 |
| Accrued payroll and employee benefits | (3,108) | 1,560 |
| Income taxes receivable/payable | 345 | (237) |
| Accrued warranty | (157) | (38) |
| Customer deposits and other current liabilities | (7,545) | 2,079 |
| Deferred revenue, non-current | (15) | (124) |
| Accrued pension costs and accrued postretirement benefits | (549) | (1,549) |
| Net cash flows (used in) provided by operating activities | (23,038) | 32,420 |
| **Cash flows from investing activities** | | |
| Restricted cash deposits | (2,039) | (14,475) |
| Restricted cash withdrawals | 13,770 | 96 |
| Purchase of securities held to maturity | (8,995) | |
| Proceeds from securities held to maturity | 9,000 | |
| Proceeds from sale of property, plant and equipment and railcars available for lease | | 10,377 |
| Purchases of property, plant and equipment | (13,354) | (1,164) |
| Net cash flows used in investing activities | (1,618) | (5,166) |
| **Cash flows from financing activities** | | |
| Employee restricted stock settlement | (54) | (17) |
| Cash dividends paid to stockholders | (722) | (718) |
| Net cash flows used in financing activities | (776) | (735) |
| Net (decrease) increase in cash and cash equivalents | (25,432) | 26,519 |
| Cash and cash equivalents at beginning of period | 98,509 | 101,870 |
| Cash and cash equivalents at end of period | $ 73,077 | $ 128,389 |
| **Supplemental cash flow information:** | | |
| Interest paid | $ 56 | $ 31 |

| | | |
|---|---|---|
| Income taxes paid | $ | $ |
| Income tax refunds received | $ | $ |

*See Notes to Condensed Consolidated Financial Statements.*

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**FreightCar America, Inc.**

**Notes to Condensed Consolidated Financial Statements**

**(Unaudited)**

***(In thousands, except share and per share data)***

**Note 1 Description of the Business**

FreightCar America, Inc. ( FreightCar ) operates primarily in North America through its direct and indirect subsidiaries, JAC Operations, Inc. ( Operations ), Johnstown America, LLC ( JA LLC ), Freight Car Services, Inc. ( FCS ), JAIX Leasing Company ( JAIX ), FreightCar Roanoke, LLC ( FCR ), FreightCar Mauritius Ltd. ( Mauritius ), FreightCar Rail Services, LLC ( FCRS ), FreightCar Rail Management Services, LLC ( FCRMS ), FreightCar Short Line, Inc. ( Short Line ) and FreightCar Alabama, LLC ( FCAL ) (herein collectively referred to as the Company ), and manufactures railroad freight cars, supplies railcar parts, leases freight cars and provides railcar maintenance, repairs and management. The Company designs and builds coal cars, bulk commodity cars, flat cars, mill gondola cars, intermodal cars, coil steel cars and motor vehicle carriers. The Company is headquartered in Chicago, Illinois and has facilities in the following locations: Clinton, Indiana; Cherokee, Alabama; Danville, Illinois; Lakewood, Colorado; Grand Island, Nebraska; Hastings, Nebraska; Johnstown, Pennsylvania; and Roanoke, Virginia.

The Company s operations comprise two reportable segments, Manufacturing and Services. The Company and its direct and indirect subsidiaries are all Delaware corporations or Delaware limited liability companies except Mauritius, which is incorporated in Mauritius. The Company s direct and indirect subsidiaries are all wholly owned.

**Note 2 Basis of Presentation**

The accompanying condensed consolidated financial statements include the accounts of FreightCar America, Inc. and subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The foregoing financial information has been prepared in accordance with the accounting principles generally accepted in the United States of America ( GAAP ) and rules and regulations of the Securities and Exchange Commission (the SEC ) for interim financial reporting. The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. The results of operations for the three months ended March 31, 2013 are not necessarily indicative of the results to be expected for the full year. The accompanying interim financial information is unaudited; however, the Company believes the financial information reflects all adjustments (consisting of items of a normal recurring nature) necessary for a fair presentation of financial position, results of operations and cash flows in conformity with GAAP. The 2012 year-end balance sheet data was derived from the audited financial statements as of December 31, 2012. Certain information and note disclosures normally included in the Company s annual financial statements prepared in accordance with GAAP have been condensed or omitted. These interim financial statements should be read in conjunction with the audited financial statements contained in the Company s annual report on Form 10-K for the year ended December 31, 2012.

**Note 3 Recent Accounting Pronouncements**

In February 2013, the Financial Accounting Standards Board 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 amount is required to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required to be reclassified in their entirety to net income, entities are required to cross-reference to other disclosures that provide additional detail on these amounts. This standard is effective prospectively for reporting periods beginning after December 31, 2012. The adoption of these changes had no impact on the consolidated financial position, results of operations or cash flows of the Company.

**Note 4 Segment Information**

The Company s operations comprise two reportable segments, Manufacturing and Services. The Company s Manufacturing segment includes new railcar manufacturing, used railcar sales, railcar leasing and major railcar rebuilds. The Company s Services segment includes general railcar repair and maintenance, inspections, parts sales and railcar fleet management services. Corporate includes selling, general and administrative expenses not related to production of goods and services, retiree pension and other postretirement benefit costs, and all other non-operating activity.

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Segment operating income is an internal performance measure used by the Company s Chief Operating Decision Maker to assess the performance of each segment in a given period. Segment operating income includes all external revenues attributable to the segments as well as operating costs and income that management believes are directly attributable to the current production of goods and services. The Company s management reporting package does not include interest revenue, interest expense or income taxes allocated to individual segments and these items are not considered as a component of segment operating income. Segment assets represent operating assets and exclude intersegment accounts, deferred tax assets and income tax receivables. The Company does not allocate cash and cash equivalents to its operating segments as the Company s treasury function is managed at the corporate level. Intersegment revenues were not material in any period presented.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2013 | 2012 |
| **Revenues:** | | |
| Manufacturing | $ 77,722 | $ 210,449 |
| Services | 9,893 | 8,617 |
| **Consolidated revenues** | $ 87,615 | $ 219,066 |
| **Operating income:** | | |
| Manufacturing | $ 2,092 | $ 22,690 |
| Services | 1,289 | 653 |
| Corporate | (2,829) | (7,357) |
| **Consolidated operating income** | 552 | 15,986 |
| Consolidated interest income | 14 | 2 |
| Consolidated interest expense and deferred financing costs | (98) | (92) |
| **Consolidated income before income taxes** | $ 468 | $ 15,896 |
| **Depreciation and amortization:** | | |
| Manufacturing | $ 1,365 | $ 1,277 |
| Services | 520 | 494 |
| Corporate | 338 | 326 |
| **Consolidated depreciation and amortization** | $ 2,223 | $ 2,097 |
| **Capital expenditures:** | | |
| Manufacturing | $ 12,709 | $ 426 |
| Services | 526 | 519 |
| Corporate | 119 | 219 |
| **Consolidated capital expenditures** | $ 13,354 | $ 1,164 |

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| **Assets:** | | |
| Manufacturing | $ 174,422 | $ 165,090 |
| Services | 26,238 | 24,230 |
| Corporate | 129,673 | 167,266 |
| **Total operating assets** | 330,333 | 356,586 |
| Consolidated income taxes receivable | 984 | 960 |
| Consolidated deferred income taxes, current | 12,079 | 12,079 |
| Consolidated deferred income taxes, long-term | 15,930 | 18,940 |

| | | |
|---|---|---|
| **Consolidated assets** | $ 359,326 | $ 388,565 |

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**Note 5 Fair Value Measurements**

The Company s current investment policy is to invest in cash, U.S. Treasury securities, U.S. government agency obligations and money market funds invested in U.S. government securities. Investments as of March 31, 2013 have remaining maturities of up to nine months.

The following table sets forth by level within the ASC 820 fair value hierarchy the Company s financial assets and liabilities that were recorded at fair value on a recurring basis.

| **Recurring Fair Value Measurements** | **As of March 31, 2013** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| ASSETS: | | | | |
| Cash equivalents | $ 8,938 | $ | $ | $ 8,938 |
| U.S. Treasury securities held to maturity | $ 41,988 | $ | $ | $ 41,988 |

| **Recurring Fair Value Measurements** | **As of December 31, 2012** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| ASSETS: | | | | |
| Cash equivalents | $ 11,933 | $ | $ | $ 11,933 |
| U.S. Treasury securities held to maturity | $ 41,978 | $ | $ | $ 41,978 |

**Note 6 Inventories**

Inventories are stated at the lower of first-in, first-out cost or market and include material, labor and manufacturing overhead. Inventories, net of reserve for excess and obsolete items, consist of the following:

| | **March 31, 2013** | **December 31, 2012** |
|---|---|---|
| Work in progress | $ 67,047 | $ 68,171 |
| Finished new railcars | 2,450 | |
| Used railcars acquired upon trade-in | 105 | 105 |
| Parts and service inventory | 6,222 | 5,566 |
| Total inventories | $ 75,824 | $ 73,842 |

Inventory on the Company s condensed consolidated balance sheets includes reserves of $1,330 and $1,565 relating to excess or slow-moving inventory for parts and work in progress at March 31, 2013 and December 31, 2012, respectively.

**Note 7 Leased Railcars**

Railcars available for lease at March 31, 2013 was $43,132 (cost of $48,234 and accumulated depreciation of $5,102) and at December 31, 2012 was $43,435 (cost of $48,234 and accumulated depreciation of $4,799). The Company s lease utilization rate for railcars in its lease fleet was 100% at each of March 31, 2013 and December 31, 2012.

Leased railcars at March 31, 2013 are subject to lease agreements with external customers with terms of up to nine years and are accounted for as operating leases.

Future minimum rental revenues on leased railcars at March 31, 2013 are as follows:

| | |
|---|---|
| Nine months ending December 31, 2013 | $ 3,272 |

| | |
|---|---|
| Year ending December 31, 2014 | 3,758 |
| Year ending December 31, 2015 | 2,051 |
| Year ending December 31, 2016 | 1,687 |
| Year ending December 31, 2017 | 1,256 |
| Thereafter | 2,045 |
| | $ 14,069 |

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**Note 8 Property, Plant and Equipment**

Property, plant and equipment consists of the following:

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| Buildings and improvements | $ 25,267 | $ 25,192 |
| Machinery and equipment | 37,993 | 36,672 |
| Software | 8,383 | 8,383 |
| Leasehold improvements | 5,350 | 5,350 |
| Cost of buildings and improvements, leasehold improvements, machinery, equipment and software | 76,993 | 75,597 |
| Less: Accumulated depreciation and amortization | (41,003) | (39,269) |
| Buildings and improvements, leasehold improvements, machinery, equipment and software, net of accumulated depreciation and amortization | 35,990 | 36,328 |
| Land (including easements) | 2,203 | 2,203 |
| Construction in process | 12,597 | 812 |
| Total property, plant and equipment, net | $ 50,790 | $ 39,343 |

**Note 9 Intangible Assets and Goodwill**

Intangible assets consist of the following:

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| Patents | $ 13,097 | $ 13,097 |
| Accumulated amortization | (11,114) | (10,966) |
| Patents, net of accumulated amortization | 1,983 | 2,131 |
| Customer-related intangibles | 1,300 | 1,300 |
| Accumulated amortization | (250) | (213) |
| Customer-related intangibles, net of accumulated amortization | 1,050 | 1,087 |
| Total amortizing intangibles | $ 3,033 | $ 3,218 |
| Manufacturing segment goodwill | $ 21,521 | $ 21,521 |
| Services segment goodwill | 607 | 607 |
| Total goodwill | $ 22,128 | $ 22,128 |

Patents are being amortized on a straight-line method over their remaining legal life from the date of acquisition. The weighted average remaining life of the Company s patents is 4 years. Amortization expense related to patents, which is included in cost of sales, was $148 for each of the three months ended March 31, 2013 and 2012. Customer-related intangibles are being amortized from the date of acquisition and have a remaining life of 18 years. Amortization expense related to customer intangibles, which is included in selling, general and administrative expenses, was $37 for each of the three months ended March 31, 2013 and 2012.

The estimated future intangible amortization at March 31, 2013 is as follows:

| | |
|---|---|
| Nine months ending December 31, 2013 | $ 554 |
| Year ending December 31, 2014 | 744 |
| Year ending December 31, 2015 | 720 |
| Year ending December 31, 2016 | 476 |
| Year ending December 31, 2017 | 108 |
| Thereafter | 431 |
| | $ 3,033 |

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**Note 10 Product Warranties**

Warranty terms are based on the negotiated railcar sales contracts. The Company typically warrants that new railcars produced by it 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. The changes in the warranty reserve for the three months ended March 31, 2013 and 2012, are as follows:

| | Three Months Ended March 31, 2013 | Three Months Ended March 31, 2012 |
|---|---|---|
| **Balance at the beginning of the period** | $ 7,625 | $ 7,795 |
| Provision for warranties issued during the period | 161 | 990 |
| Reductions for payments, cost of repairs and other | (310) | (87) |
| Adjustments to prior warranties | (8) | (941) |
| **Balance at the end of the period** | $ 7,468 | $ 7,757 |

Adjustments to prior warranties includes changes in the warranty reserve for warranties issued in prior periods due to expiration of the warranty period, revised warranty cost estimates and other factors.

**Note 11 Revolving Credit Facility**

On July 29, 2010, the Company entered into a $30,000 senior secured revolving credit facility pursuant to a Loan and Security Agreement dated as of July 29, 2010 (the Revolving Loan Agreement ) among FreightCar, JA LLC, FCS, Operations and FCR, as borrowers (collectively, the Borrowers ), and Fifth Third Bank, as lender. The proceeds of the revolving credit facility can be used for general corporate purposes, including working capital. As of March 31, 2013 and December 31, 2012, the Company had no borrowings and therefore had $30,000 available under the revolving credit facility. The Revolving Loan Agreement also contains a sub-facility for letters of credit not to exceed $20,000. The Company had no outstanding letters of credit under the revolving credit facility as of March 31, 2013 and December 31, 2012.

The Revolving Loan Agreement has a term ending on July 29, 2013 and revolving loans outstanding thereunder will bear interest at a rate of LIBOR plus an applicable margin of 2.50% or at prime, as selected by the Company. The Company is required to pay a non-utilization fee of 0.35% on the unused portion of the revolving loan commitment, which is included in interest expense and deferred financing fees in the consolidated statement of operations. Borrowings under the Revolving Loan Agreement are secured by the Company s accounts receivable, inventory and certain other assets of the Company, and borrowing availability is tied to a borrowing base of eligible accounts receivable and inventory. The Revolving Loan Agreement has both affirmative and negative covenants, including, without limitation, a minimum tangible net worth covenant and limitations on indebtedness, liens and investments. The minimum tangible net worth covenant in the Revolving Loan Agreement effectively limits potential dividends to $64,920 as of March 31, 2013. The Revolving Loan Agreement also provides for customary events of default. As of March 31, 2013, the Company was in compliance with all of the financial covenants contained in the agreement.

**Note 12 Stock-Based Compensation**

The Company recognizes stock-based compensation expense for stock option awards based on the fair value of the award on the grant date using the Black-Scholes option valuation model. Expected life in years for all stock options awards was determined using the simplified method. The Company believes that it is appropriate to use the simplified method in determining the expected life for options because the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term for stock options and due to the limited number of stock option grants to date. Expected volatility was based on the historical volatility of the Company s stock. The risk-free interest rate was based on the U.S. Treasury bond rate for the expected life of the option. The expected dividend yield was based on the latest annualized dividend rate and the current market price of the underlying common stock on the date of the grant. The Company recognizes stock-based compensation for restricted stock awards over the vesting period based on the fair market value of the stock on the date of the award, calculated as the average of the high and low trading prices for the Company s common stock on the award date.

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On January 14, 2013, the Company awarded 3,250 non-qualified stock options to an executive of the Company pursuant to its 2005 Long Term Incentive Plan. The stock options will vest in three equal annual installments beginning on January 14, 2014 and have a contractual term of 10 years. The exercise price of each option is $24.27, which was the fair market value of the Company s stock on the date of the grant. The estimated fair value of $10.70 per option will be recognized over the period during which the employee is required to provide service in exchange for the award, which is the vesting period. The following assumptions were used to value the January 14, 2013 stock options: expected lives of the options of 6 years; expected volatility of 51.36%; risk-free interest rate of 0.78%; and expected dividend yield of 0.98%.

On January 18, 2013, the Company awarded 96,800 non-qualified stock options to certain employees of the Company pursuant to its 2005 Long Term Incentive Plan. The stock options will vest in three equal annual installments beginning on January 18, 2014 and have a contractual term of 10 years. The exercise price of each option is $24.56, which was the fair market value of the Company s stock on the date of the grant. The estimated fair value of $10.82 per option will be recognized over the period during which the employee is required to provide service in exchange for the award, which is the vesting period. The following assumptions were used to value the January 18, 2013 stock options: expected lives of the options of 6 years; expected volatility of 51.38%; risk-free interest rate of 0.77%; and expected dividend yield of 0.99%.

During the three months ended March 31, 2013, the Company awarded 49,740 shares of restricted stock to certain employees of the Company pursuant to its 2005 Long Term Incentive Plan. Each restricted stock award will vest in three equal annual installments beginning on the first anniversary of the award, with continued vesting of the award subject to the recipient s continued employment with the Company. Stock compensation expense will be recognized over the vesting period based on the fair market value of the stock on the date of the award, calculated as the average of the high and low trading prices for the Company s common stock on the award date.

As of March 31, 2013, there was $3,514 of unearned compensation expense related to stock options and restricted stock awards, which will be recognized over the remaining requisite service period of 34 months.

**Note 13 Employee Benefit Plans**

The Company has qualified, defined benefit pension plans that were established to provide benefits to certain employees. These plans are frozen and participants are no longer accruing benefits. The Company also provides certain postretirement health care benefits for certain of its salaried and hourly retired employees. Generally, employees may become eligible for health care benefits if they retire after attaining specified age and service requirements. These benefits are subject to deductibles, co-payment provisions and other limitations.

A substantial portion of the Company s postretirement benefit plan obligation relates to a settlement with the union representing employees at the Company s and its predecessors Johnstown manufacturing facilities. The terms of that settlement agreement required the Company to pay until November 30, 2012 certain monthly amounts toward the cost of retiree health care coverage. The Company is currently engaged in negotiations related to the expired settlement agreement but no agreements have been reached. Therefore, the outcome of those negotiations and the impact on the Company s postretirement benefit plan obligation cannot be determined at this time. The Company s recorded postretirement benefit plan obligation assumes for accounting purposes a continuation of those monthly payments after November 30, 2012 (as permitted under the settlement). However, the Company s postretirement benefit plan obligation could significantly increase or decrease if payments were to cease, if litigation should ensue or if the parties should agree on a modified settlement.

Generally, contributions to the plans are not less than the minimum amounts required under the Employee Retirement Income Security Act of 1974 ( ERISA ) and not more than the maximum amount that can be deducted for federal income tax purposes. The plans assets are held by independent trustees and consist primarily of equity and fixed income securities.

The components of net periodic benefit cost (benefit) for the three months ended March 31, 2013 and 2012, are as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| **Pension Benefits** | **2013** | **2012** |
| Interest cost | $ 632 | $ 725 |
| Expected return on plan assets | (887) | (862) |
| Amortization of unrecognized net loss | 131 | 126 |
| | $ (124) | $ (11) |

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| Postretirement Benefit Plan | Three Months Ended March 31, 2013 | 2012 |
|---|---|---|
| Service cost | $ 18 | $ 16 |
| Interest cost | 657 | 755 |
| Amortization of prior service cost | 60 | 60 |
| Amortization of unrecognized net loss | 154 | 94 |
| | $ 889 | $ 925 |

Amortization of unrecognized net loss for the Company s defined benefit pension plans was reclassified to income, from accumulated other comprehensive income, of which $118 and $13 was recognized in cost of sales and selling, general and administrative expenses, respectively for the three months ended March 31, 2013 and $77 and $49 was recognized in cost of sales and selling, general and administrative expenses, respectively for the three months ended March 31, 2012. The Company made contributions of $0 and $1,044 to the Company s defined benefit pension plans for the three months ended March 31, 2013 and 2012, respectively. The Company expects to make $759 in contributions to its pension plans in 2013 to meet its minimum funding requirements.

Amortization of prior service cost for the Company s postretirement benefit plan was reclassified to income, from accumulated other comprehensive income, of which $57 and $3 was recognized in cost of sales and selling, general and administrative expenses, respectively for the three months ended March 31, 2013 and $56 and $4 was recognized in cost of sales and selling, general and administrative expenses, respectively for the three months ended March 31, 2012. Amortization of unrecognized net loss for the Company s postretirement benefit plan was reclassified to income, from accumulated other comprehensive income, of which $146 and $8 was recognized in cost of sales and selling, general and administrative expenses, respectively for the three months ended March 31, 2013 and $88 and $6 was recognized in cost of sales and selling, general and administrative expenses, respectively for the three months ended March 31, 2012. The Company made payments to the Company s postretirement benefit plan of $1,192 and $1,313 for the three months ended March 31, 2013 and 2012, respectively. If the Company continued to fund its postretirement benefit plan based on the expired settlement agreement the Company would make approximately $4,946 in payments to the plan in 2013.

The Company also maintains qualified defined contribution plans, which provide benefits to employees based on employee contributions, employee earnings or certain subsidiary earnings, with discretionary contributions allowed. Expenses related to these plans were $548 and $441 for the three months ended March 31, 2013 and 2012, respectively.

**Note 14 Contingencies**

The Company is involved in various warranty and repair claims and, in certain cases, related pending and threatened legal proceedings with its customers in the normal course of business. In the opinion of management, the Company s potential losses in excess of the accrued warranty and legal provisions, if any, are not expected to be material to the Company s consolidated financial condition, results of operations or cash flows.

On September 29, 2008, Bral Corporation, a supplier of certain railcar parts to the Company, filed a complaint against the Company in the U.S. District Court for the Western District of Pennsylvania (the Pennsylvania Lawsuit ). The complaint alleges that the Company breached an exclusive supply agreement with Bral by purchasing parts from CMN Components, Inc. ( CMN ) and seeks 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 the Company (the Illinois Lawsuit ) and seeking damages in an unspecified amount, attorneys fees and other legal costs. On October 22, 2008, the Company entered into an Assignment of Claims Agreement with CMN under which CMN assigned to the Company its counterclaims against Bral in the Illinois Lawsuit and the Company 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 $3,884 reduction in litigation reserves, which favorably impacted the Company s results of operations for the three months ended March 31, 2013.

On a quarterly basis, the Company evaluates the potential outcome of all significant contingencies and estimates the likelihood that a future event or events will confirm the loss of an asset or incurrence of a liability. When information available prior to issuance of the Company s financial statements indicates that in management s judgment, it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements and the amount of loss can be reasonably estimated, the contingency is accrued by a charge to income.

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

**Note 15 Other Commitments**

The Company leases certain property and equipment under long-term operating leases expiring at various dates through 2024. On February 19, 2013, the Company subleased space at a production facility located in the Shoals region of Alabama. The Company will operate approximately 543,399 square feet of a 2,150,000-square foot facility located on approximately 700 acres of land. The subleased premises will include production lines, an assembly area, storage and fabrication areas and office space. The initial term of the sublease expires on December 31, 2021 and, at the Company s option, subject to satisfaction of certain conditions, may be extended for an additional 120 months.

Future minimum lease payments at March 31, 2013 are as follows:

| | |
|---|---|
| Nine months ending December 31, 2013 | $ 6,276 |
| Year ending December 31, 2014 | 8,865 |
| Year ending December 31, 2015 | 9,285 |
| Year ending December 31, 2016 | 9,046 |
| Year ending December 31, 2017 | 8,748 |
| Thereafter | 44,511 |
| | $ 86,731 |

The Company is liable for maintenance, insurance and similar costs under most of its leases and such costs are not included in the future minimum lease payments. Total rental expense for the three months ended March 31, 2013 and 2012, was approximately $782 and $1,822, respectively.

In addition, the Company has other non-cancelable agreements with its suppliers to purchase certain materials used in the manufacturing process. The commitments may vary based on the actual quantities ordered and be subject to the actual price when ordered. At March 31, 2013, the Company had purchase commitments under these agreements of $18,060 for the nine months ending December 31, 2013 and $17,300 for the year ending December 31, 2014.

**Note 16 Earnings Per Share**

Shares used in the computation of the Company s basic and diluted earnings per common share are reconciled as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2013** | **2012** |
| Weighted average common shares outstanding | 11,943,423 | 11,924,418 |
| Dilutive effect of employee stock options and nonvested share awards | | 55,309 |
| Weighted average diluted common shares outstanding | 11,943,423 | 11,979,727 |

Weighted average diluted common shares outstanding include the incremental shares that would be issued upon the assumed exercise of stock options and the assumed vesting of nonvested share awards. Because the Company had a net loss for the three months ended March 31, 2013, all stock options and shares of nonvested share awards were anti-dilutive and not included in the above calculation for that period. For the three months ended March 31, 2012, 172,059 shares were not included in the weighted average common shares outstanding calculation as they were anti-dilutive.

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**Note 17 Income Taxes**

The income tax provision was $3,112 for the three months ended March 31, 2013, compared to $6,162 for the three months ended March 31, 2012. The addition of the Company s Shoals facility will change the mix of income from states in which it operates, resulting in changes in the Company s estimated state tax apportionment and effective state tax rates. The income tax provision for the three months ended March 31, 2013 included a provision of $1,354 resulting from applying these changes in effective state tax rates on the Company s deferred tax balances. Additionally, projected taxable income in certain states in which the Company operates may not be sufficient to realize the full value of net operating loss carryforwards. As a result, the income tax provision also includes the recognition of a valuation allowance of $2,503 against deferred tax assets related to net operating loss carryforwards in certain states in which the Company operates. These discrete tax provisions during the first quarter of 2013 were partially offset by $891 of discrete tax benefits recorded during the quarter associated with tax deductible goodwill. Excluding these discrete items, the Company s forecasted full-year effective tax rate applied against pre-tax income for the three months ended March 31, 2013 was 25.9%. The effective tax rate for the three months ended March 31, 2012 was 38.8% and was higher than the statutory U.S. federal income tax rate of 35% primarily due to a 4.9% blended state tax rate offset by 2.0% for the impact of tax deductible goodwill.

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**Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.**

**OVERVIEW**

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

We 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 Danville, Illinois; Roanoke, Virginia; and Cherokee, Alabama. Additionally, 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, inspections and railcar fleet management services for all types of freight railcars through our FCRS and FCRMS subsidiaries. FCRS has repair and maintenance and inspection facilities in Clinton, Indiana, 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. We also lease freight cars through our JAIX Leasing Company subsidiary. Our primary customers are financial institutions, shippers and railroads.

In February 2013, we subleased approximately 25% of a state-of-the-art production facility located in the Shoals region of Alabama. Our Shoals production facility was designed to efficiently build a wide variety of railcar types and 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, Illinois and Roanoke, Virginia facilities will continue to support our coal car products, our 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. Production preparation has begun and we have installed a management team to operate the Shoals facility and are in the process of staffing and training the production work force. We have also procured our first order for the facility and are on track to begin production in the third quarter of 2013.

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 costs.

Total orders for railcars in the first quarter of 2013 were 274 units, compared to 1,244 units, consisting of 1,164 new railcars and 80 used railcars, ordered in the first quarter of 2012. Our order activity for the first quarter of 2013 reflects continued uncertainty in the railcar market. Railcar deliveries totaled 1,073 units, consisting of 448 new railcars and 625 rebuilt railcars, in the first quarter of 2013, compared to 2,613 units, consisting of 2,146 new railcars, 80 used railcars sold and 387 leased railcars delivered, in the first quarter of 2012. Total backlog of unfilled orders was 2,082 units, consisting of 707 new railcars and 1,375 rebuilt railcars, at March 31, 2013, compared to 2,881 units, consisting of 981 new railcars and 1,900 rebuilt railcars, at December 31, 2012.

**RESULTS OF OPERATIONS**

**Three Months Ended March 31, 2013 compared to Three Months Ended March 31, 2012**

**Revenues**

Our consolidated revenues for the three months ended March 31, 2013 were $87.6 million compared to $219.1 million for the three months ended March 31, 2012. Manufacturing segment revenues for the first quarter of 2013 were $77.7 million compared to $210.4 million for the first quarter of 2012. The decrease in Manufacturing segment revenues for the 2013 period compared to the 2012 period reflects the decrease in the number of railcars delivered and an unfavorable product mix. Our Manufacturing segment delivered 1,073 units, consisting of 448 new railcars and 625 rebuilt railcars, in the first quarter of 2013, compared to 2,613 units, consisting of 2,146 new railcars, 80 used railcars sold and 387 leased railcars, in the first quarter of 2012. Services segment revenues for the three months ended March 31, 2013 were $9.9 million compared to $8.6 million for the three months ended March 31, 2012. The increase in Services segment revenues for 2013 compared to 2012 reflects higher parts sales revenue that was partially offset by lower repair volumes.

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**Gross Profit**

Our consolidated gross profit for the three months ended March 31, 2013 was $5.0 million compared to $23.7 million for the three months ended March 31, 2012, representing a decrease of $18.7 million. The decrease in our consolidated gross profit for the first quarter of 2013 compared to the first quarter of 2012 reflects a decrease in gross profit from our Manufacturing segment of $19.4 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 first quarter of 2013 compared to the first quarter of 2012 reflects the decrease in deliveries, the negative impact of lower volumes on our operating efficiency, as well as product mix changes. The increase in gross profit for our Services segment for the first quarter of 2013 compared to 2012 reflects higher parts sales and an increase in higher margin program repairs. Our consolidated gross margin rate was 5.7% for the three months ended March 31, 2013 compared to 10.8% for the three months ended March 31, 2012.

**Selling, General and Administrative Expenses**

Consolidated selling, general and administrative expenses for the three months ended March 31, 2013 were $4.4 million compared to $8.7 million for the three months ended March 31, 2012, representing a decrease of $4.3 million. During the first quarter of 2013 we settled the Bral litigation (see note 14 to our condensed consolidated financial statements), which resulted in a $3.9 million reduction in litigation reserves, which was partially offset by $0.5 million of related legal expenses incurred during the quarter. Selling, general and administrative expenses for the three months ended March 31, 2013 also included decreases in compensation of $0.3 million and external services of $0.4 million. Manufacturing segment selling, general and administrative expenses for the three months ended March 31, 2013 were $1.7 million compared to $1.5 million for the three months ended March 31, 2012. Services segment selling, general and administrative expenses for the three months ended March 31, 2013 were $1.0 million compared to $0.9 million for the three months ended March 31, 2012. Corporate selling, general and administrative expenses for the three months ended March 31, 2013 were $1.8 million compared to $6.3 million for the three months ended March 31, 2012, reflecting the reduction in the litigation reserve (partially offset by related legal expenses) and decreases in compensation and external services.

**Gain on Sale of Railcars Available for Lease**

Gain on sale of railcars available for lease for the three months ended March 31, 2012 was $0.9 million and represented the gain on sale of 128 leased railcars (with a net book value of $10.4 million). Gain on sale of railcars available for lease for the three months ended March 31, 2013 was immaterial.

**Operating Income**

Our consolidated operating income for the three months ended March 31, 2013 was $0.6 million, compared to $16.0 million for the three months ended March 31, 2012. Operating income for the Manufacturing segment was $2.1 million for the three months ended March 31, 2013 compared to $22.7 million for the three months ended March 31, 2012. The reduction in operating income for the Manufacturing segment reflects the decrease in deliveries, the negative impact of lower volumes on our operating efficiency, as well as product mix changes. Services segment operating income was $1.3 million for the three months ended March 31, 2013 compared to $0.7 million for the three months ended March 31, 2012. The increase in Services segment operating income was primarily due to higher parts sales volume and higher volume of program repairs for the 2013 period compared to the 2012 period. Corporate costs were $2.8 million for the three months ended March 31, 2013 compared to $7.4 million for the three months ended March 31, 2012. The decrease in Corporate costs was primarily due to a reduction in the litigation reserve (partially offset by related legal expenses) and decreases in compensation and external services.

**Interest Expense/Income**

Interest expense (consisting of commitment fees on our revolving credit facility and letter of credit fees) was $0.1 million for each of the three months ended March 31, 2013 and 2012.

**Income Taxes**

The income tax provision was $3.1 million for the three months ended March 31, 2013, compared to $6.2 million for the three months ended March 31, 2012. The addition of our Shoals facility will change the mix of income from states in which we operate, resulting in changes in our estimated state tax apportionment and effective state tax rates. The income tax provision for the three months ended March 31, 2013 included a provision of $1.4 million resulting from applying these changes in effective state tax rates to 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 provision also includes the recognition of a valuation allowance of $2.5 million against deferred tax assets related to net operating loss carryforwards in certain states in which we operate. These discrete tax provisions during the first quarter of 2013 were partially offset by $0.9 million of discrete tax benefits recorded during the quarter associated with tax deductible goodwill. Excluding these discrete items, our forecasted full-year effective tax rate applied against pre-tax income for the three months ended March 31, 2013 was 25.9%. The effective tax rate for the three months ended March 31, 2012 was 38.8% and was higher than the statutory U.S. federal income tax rate of 35% primarily due to a 4.9% blended state tax rate offset by 2.0% for the impact of tax deductible goodwill.

**Net (Loss) Income**

As a result of the foregoing, net loss was $2.6 million for the three months ended March 31, 2013, reflecting a decrease of $12.4 million from net income of $9.7 million for the three months ended March 31, 2012. For the three months ended March 31, 2013, our basic and diluted net loss per share was $0.22 on basic and diluted shares outstanding of 11,943,423.

For the three months ended March 31, 2012, our basic and diluted net income per share were $0.82 and $0.81, respectively, on basic and diluted shares outstanding of 11,924,418 and 11,979,727.

**LIQUIDITY AND CAPITAL RESOURCES**

Our primary sources of liquidity for the three months ended March 31, 2013 and 2012, were our cash and cash equivalent balances on hand, our securities held to maturity, our lease fleet and our revolving credit facility. On July 29, 2010, we entered into a $30.0 million senior secured revolving credit facility pursuant to a Loan and Security Agreement dated as of July 29, 2010 (the Revolving Loan Agreement ) among the Company and certain of its subsidiaries, as borrowers (collectively, the Borrowers ), and Fifth Third Bank, as lender. The proceeds of the revolving credit facility can be used for general corporate purposes, including working capital. The Revolving Loan Agreement also contains a sub-facility for letters of credit not to exceed $20.0 million. As of each of March 31, 2013 and December 31, 2012, we had no borrowings or outstanding letters of credit under the revolving credit facility.

Revolving loans outstanding under the Revolving Loan Agreement will bear interest at a rate of LIBOR plus an applicable margin of 2.50% or at prime, as selected by the Borrowers. We have no expectations to draw upon the revolving credit facility. We are required to pay a non-utilization fee of 0.35% on the unused portion of the revolving loan commitment. Borrowings under the Revolving Loan Agreement are secured by our accounts receivable, inventory and certain other assets, and borrowing availability is tied to a borrowing base of eligible accounts receivable and inventory. The Revolving Loan Agreement has both affirmative and negative covenants, including, without limitation, a minimum tangible net worth covenant and limitations on indebtedness, liens and investments. The minimum tangible net worth covenant effectively limits potential dividends to $64.9 million as of March 31, 2013. The Revolving Loan Agreement also provides for customary events of default. As of March 31, 2013, we had borrowing capacity of $30.0 million under the Revolving Loan Agreement and we were in compliance with all of the covenants contained in the agreement. The Revolving Loan Agreement has a term ending on July 29, 2013. We are currently evaluating renewal or refinancing alternatives for our current Revolving Loan Agreement and expect to have a new agreement in place by July 29, 2013.

Our restricted cash balance was $3.0 million as of March 31, 2013 and $14.7 million as of December 31, 2012, and consisted of cash used to collateralize standby letters of credit with respect to performance guarantees and to support our worker s compensation insurance claims. The standby letters of credit outstanding as of March 31, 2013 are scheduled to expire at various dates through December 2013. We expect to establish restricted cash balances in future periods to minimize bank fees related to standby letters of credit while maximizing our ability to borrow under the revolving credit facility.

As of March 31, 2013, the value of railcars available for lease was $43.1 million. We may continue to offer railcars for lease to certain customers and pursue opportunities to sell leased railcars in our portfolio. Additional railcars available for lease may be funded by cash flows from operations or we may pursue a new credit facility or both, as we evaluate our liquidity and capital resources.

Based on our current level of operations and known changes in planned volume based on our backlog, we believe that our cash balances and our marketable securities, 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.

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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, 2012, our benefit obligation under our defined benefit pension plans and our postretirement benefit plan was $65.0 million and $69.3 million, respectively, which exceeded the fair value of plan assets by $12.2 million and $69.3 million, respectively.

We made no contributions to our defined benefit pension plans during the first three months of 2013 and expect to make approximately $0.8 million in total contributions to our defined benefit pension plans during 2013. 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 $1.2 million during the three months ended March 31, 2013. A substantial portion of our postretirement benefit plan obligation relates to a settlement with the union representing employees at the Company s and its predecessors Johnstown manufacturing facilities. The terms of that settlement required us to pay until November 30, 2012 certain monthly amounts toward the cost of retiree health care coverage. We are currently engaged in negotiations related to the expired settlement agreement but no agreements have been reached. Therefore, the outcome of those negotiations and the impact on our postretirement benefit plan obligation cannot be determined at this time. If we continued to fund our postretirement benefit plan based on the expired settlement agreement we would make approximately $5.0 million in payments to the plan in 2013. However, the Company s postretirement benefit plan obligation could significantly increase or decrease if payments were to cease, if litigation should ensue or if the parties should agree on a modified settlement. 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 March 31, 2013 and the effect that these obligations and commitments would be expected to have on our liquidity and cash flow in future periods:

| | **Payments Due by Period** | | | | |
|---|---|---|---|---|---|
| **Contractual Obligations** | **Total** | **1 Year** | **2-3 Years** | **4-5 Years** | **After 5 Years** |
| | | | ***(In thousands)*** | | |
| Operating leases | $ 86,731 | $ 8,496 | $ 18,233 | $ 17,694 | $ 42,308 |
| Material and component purchases | 35,657 | 22,682 | 12,975 | | |
| Total | $ 122,388 | $ 31,178 | $ 31,208 | $ 17,694 | $ 42,308 |

Material and component purchases consist of non-cancelable agreements with suppliers to purchase materials used in the manufacturing process. Purchase commitments for aluminum are made at a fixed price and are typically entered into after a customer places an order for railcars. The estimated amounts above may vary based on the actual quantities and price.

The above table excludes $3.5 million related to a reserve for unrecognized tax benefits and accrued interest and penalties at March 31, 2013 because the timing of the payout of these amounts cannot be determined.

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

**Cash Flows**

The following table summarizes our net cash (used in) provided by operating activities, investing activities and financing activities for the three months ended March 31, 2013 and 2012:

| | Three Months Ended March 31, 2013 | 2012 |
|---|---|---|
| | *(In thousands)* | |
| Net cash (used in) provided by: | | |
| Operating activities | $ (23,038) | $ 32,420 |
| Investing activities | (1,618) | (5,166) |
| Financing activities | (776) | (735) |
| Total | $ (25,432) | $ 26,519 |

*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, consisting on average of 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 used in operating activities for the three months ended March 31, 2013 was $23.0 million compared to net cash provided by operating activities of $32.4 million for the three months ended March 31, 2012. Net cash used in operating activities for the three months ended March 31, 2013 included decreases in accounts and contractual payables of $15.0 million and customer deposits of $8.7 million. Net cash provided by operating activities for the three months ended March 31, 2012 includes our income from operations and increases in accounts and contractual payables of $23.7 million. The increase in account and contractual payables for the three months ended March 31, 2012 primarily represents purchases of materials to support increased production levels and the timing of payment on those purchases.

*Investing Activities.* Net cash used in investing activities for the three months ended March 31, 2013 was $1.6 million compared to $5.2 million for the three months ended March 31, 2012. Net cash used in investing activities for the three months ended March 31, 2013 included purchases of property, plant and equipment of $13.4 million, which were partially offset by restricted cash withdrawals (net of deposits) of $11.7 million. Net cash used in investing activities for the three months ended March 31, 2012 included restricted cash deposits for collateralization of letters of credit of $14.5 million and purchases of property, plant and equipment of $1.2 million, which were partially offset by proceeds from the sale of railcars on operating leases of $10.4 million.

*Financing Activities.* Net cash used in financing activities for the three months ended March 31, 2013 was $0.8 million compared to net cash used in financing activities of $0.7 million for the three months ended March 31, 2012. Net cash used in financing activities primarily included cash dividends paid to our stockholders.

**Capital Expenditures**

Our capital expenditures were $13.4 million in the three months ended March 31, 2013 compared to $1.2 million in the three months ended March 31, 2012. Capital expenditures for the three months ended March 31, 2013 were primarily purchases of equipment for our Shoals facility. Capital expenditures for the three months ended March 31, 2012 were primarily cash outlays to maintain our existing facilities. Excluding unforeseen expenditures, management expects that total capital expenditures will be approximately $20.0 million for 2013, including capital expenditures for our Shoals facility.

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This quarterly report on Form 10-Q contains certain forward-looking statements including, in particular, statements about our plans, strategies and prospects. We have used the words may, will, expect, anticipate, believe, estimate, plan, intend and similar expressions in this r 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;
- adverse economic and market conditions;
- 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;
- fluctuating costs of raw materials, including steel and aluminum, and delays in the delivery of raw materials;
- our reliance on the sales of our coal cars;
- 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;
- 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 agreement governing our indebtedness that limit our management s discretion in the operation of our businesses. Our actual results could be different from the results described in or anticipated by our forward-looking statements due to the inherent uncertainty of estimates, forecasts and projections and may be better or worse than anticipated. Given these uncertainties, you should not rely on forward-looking statements. Forward-looking statements represent our estimates and assumptions only as of the date that they were made. We expressly disclaim any duty to provide updates to forward-looking statements, and the estimates and assumptions associated with them, in order to reflect changes in circumstances or expectations or the occurrence of unanticipated events except to the extent required by applicable securities laws. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed under Item 1A, Risk Factors in our annual report on Form 10-K for the year ended December 31, 2012 filed with the Securities and Exchange Commission.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We have a $30.0 million senior secured revolving credit facility, the proceeds of which can be used for general corporate purposes, including working capital. On an annual basis, a 1% change in the interest rate in our revolving credit facility will increase or decrease our interest expense by $10,000 for every $1.0 million of outstanding borrowings. As of March 31, 2013, there were no borrowings or outstanding letters of credit 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 4. Controls and Procedures.**

**Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of our Chief Executive Officer and Principal Financial Officer, our management evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act ), as of the end of the period covered by this quarterly report on Form 10-Q (the Evaluation Date ). Based upon that evaluation, our Chief Executive Officer and Principal Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission s rules and forms.

**Changes in Internal Control Over Financial Reporting**

There has been no change in our internal control over financial reporting during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings.**

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 alleges that we breached an exclusive supply agreement with Bral by purchasing parts from CMN Components, Inc. ( CMN ) and seeks 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 three months ended March 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 1A. Risk Factors.**

There have been no material changes from the risk factors previously disclosed in Item 1A of our 2012 annual report on Form 10-K.

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

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

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**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

(a) Exhibits filed as part of this Form 10-Q:

| | |
|---|---|
| 10.1 | Sublease, dated as of February 19, 2013, by and between Navistar, Inc. and FreightCar Alabama, LLC.* |
| 10.2 | Amendment to Sublease, dated as of March 11, 2013, by and among Teachers Retirement Systems of Alabama, Employees Retirement System of Alabama, Navistar, Inc. and FreightCar Alabama, LLC.* |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32 | Certification of Chief Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | XBRL Instance Document ** |
| 101.SCH | XBRL Taxonomy Extension Schema Document ** |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document ** |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document ** |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document ** |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document ** |

* Confidential treatment has been requested for the redacted portions of this exhibit. A complete copy of the exhibit, including the redacted portions, has been filed separately with the Securities and Exchange Commission.

** Pursuant to Rule 406T of Regulation S-T, these Interactive Data Files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, are not deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under those sections.

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## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**FREIGHTCAR AMERICA, INC.**

Date: May 10, 2013

By: /s/ EDWARD J. WHALEN
Edward J. Whalen, Chief Executive Officer
(Principal Executive Officer)

By: /s/ JOSEPH E. MCNEELY
Joseph E. McNeely, President and
Chief Operating Officer (Principal Financial Officer)

By: /s/ JOSEPH J. MALIEKEL
Joseph J. Maliekel, Vice President, Corporate
Controller and Principal Accounting Officer

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