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 June 30, 2014

Or

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

for the transition period from to

Commission File No. 000-51728

AMERICAN RAILCAR INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

North Dakota (State of Incorporation)	43-1481791 (I.R.S. Employer Identification No.)
100 Clark Street, St. Charles, Missouri (Address of principal executive offices)	63301 (Zip Code)

(636) 940-6000
(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 (§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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨	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

The number of shares of the registrant's common stock, $0.01 par value, outstanding on July 31, 2014 was 21,352,297 shares.

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AMERICAN RAILCAR INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	June 30, 2014 (unaudited)	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$163,055	$97,252
Restricted cash	7,238	3,908
Accounts receivable, net	26,954	21,939
Accounts receivable, due from related parties	21,465	16,402
Inventories, net	92,346	90,185
Deferred tax assets	7,946	9,060
Prepaid expenses and other current assets	6,160	6,500
Total current assets	325,164	245,246
Property, plant and equipment, net	157,957	159,375
Railcars on operating leases, net	452,030	372,551
Deferred debt issuance costs	2,361	2,026
Goodwill	7,169	7,169
Investments in and loans to joint ventures	29,122	31,430
Other assets	4,077	7,812
Total assets	$977,880	$825,609
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$56,636	$52,772
Accounts payable, due to related parties	1,922	1,410
Accrued expenses and taxes	9,909	20,216
Accrued compensation	13,829	16,071
Current portion of long-term debt	10,612	6,655
Total current liabilities	92,908	97,124
Long-term debt, net of current portion	303,648	188,103
Deferred tax liability	105,168	99,212
Pension and post-retirement liabilities	4,156	4,718
Other liabilities	2,168	2,550
Total liabilities	508,048	391,707
Stockholders' equity:		
Common stock, $0.01 par value, 50,000,000 shares authorized, 21,352,297 shares issued and outstanding as of June 30, 2014 and December 31, 2013	213	213
Additional paid-in capital	239,609	239,609
Retained earnings	231,479	195,574
Accumulated other comprehensive loss	(1,469)	(1,494)
Total stockholders' equity	469,832	433,902
Total liabilities and stockholders' equity	$977,880	$825,609

See Notes to the Condensed Consolidated Financial Statements.

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AMERICAN RAILCAR INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts, unaudited)

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Revenues:				
Manufacturing (including revenues from affiliates of $91,135 and $132,370 for the three and six months ended June 30, 2014, respectively, and $19,904 and $82,982 for the same periods in 2013)	$206,364	$132,242	$360,327	$305,217
Railcar Leasing	13,885	7,527	25,631	14,070
Railcar Services (including revenues from affiliates of $4,699 and $8,662 for the three and six months ended June 30, 2014, respectively, and $4,546 and $9,154 for the same periods in 2013)	17,260	19,635	33,666	35,227
Total revenues	237,509	159,404	419,624	354,514
Cost of revenues:				
Manufacturing	(160,033)	(97,709)	(278,398)	(234,832)
Railcar Leasing	(5,382)	(3,301)	(9,873)	(6,205)
Railcar Services	(13,424)	(14,860)	(26,789)	(27,449)
Total cost of revenues	(178,839)	(115,870)	(315,060)	(268,486)
Gross profit	58,670	43,534	104,564	86,028
Selling, general and administrative	(6,820)	(3,665)	(16,207)	(14,930)
Earnings from operations	51,850	39,869	88,357	71,098
Interest income (including income from related parties of $613 and $1,240 for the three and six months ended June 30, 2014, respectively, and $676 and $1,357 for the same periods in 2013)	619	679	1,260	1,370
Interest expense	(1,843)	(1,341)	(3,515)	(4,341)
Loss on debt extinguishment	—	—	(1,896)	(392)
Other income	27	12	32	2,008
Earnings (Loss) from joint ventures	335	(804)	(266)	(1,777)
Earnings before income taxes	50,988	38,415	83,972	67,966
Income tax expense	(18,772)	(14,796)	(30,986)	(26,410)
Net earnings	$32,216	$23,619	$52,986	$41,556
Net earnings per common share—basic and diluted	$1.51	$1.11	$2.48	$1.95
Weighted average common shares outstanding—basic and diluted	21,352	21,352	21,352	21,352
Cash dividends declared per common share	$0.40	$0.25	$0.80	$0.50

See Notes to the Condensed Consolidated Financial Statements.

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AMERICAN RAILCAR INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net earnings	$32,216	$23,619	$52,986	$41,556
Currency translation	417	(410)	(42)	(658)
Postretirement plans	55	47	110	94
Short-term investments	—	—	—	(1,213)
Comprehensive income	$32,688	$23,256	$53,054	$39,779

See Notes to the Condensed Consolidated Financial Statements.

AMERICAN RAILCAR INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

	Six Months Ended June 30, 2014	2013
Operating activities:		
Net earnings	$52,986	$41,556
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	15,672	13,395
Amortization of deferred costs	236	313
(Gain) loss on disposal of property, plant, equipment and leased railcars	(3)	47
Loss from joint ventures	266	1,777
Provision for deferred income taxes	7,034	19,297
Adjustment to allowance for doubtful accounts receivable	(16)	(6)
Items related to investing activities:		
Realized and unrealized gains on short-term investments - available for sale securities	—	(141)
Items related to financing activities:		
Loss on debt extinguishment	1,896	392
Changes in operating assets and liabilities:		
Accounts receivable, net	(4,990)	(2,087)
Accounts receivable, due from related parties	(5,105)	(2,065)
Inventories, net	(2,171)	17,034
Prepaid expenses and other current assets	(2,942)	(1,272)
Accounts payable	3,861	(22,200)
Accounts payable, due to related parties	512	(2,307)
Accrued expenses and taxes	(12,543)	(4,761)
Other	2,900	(4,381)
Net cash provided by operating activities	57,593	54,591
Investing activities:		
Purchases of property, plant and equipment	(7,482)	(10,927)
Capital expenditures - leased railcars	(86,521)	(80,877)
Proceeds from the sale of property, plant, equipment and leased railcars	243	2
Proceeds from the sale of short-term investments - available for sale securities	—	12,699
Proceeds from repayments of loans by joint ventures	2,000	1,300
Investments in and loans to joint ventures	—	(116)
Net cash used in investing activities	(91,760)	(77,919)
Financing activities:		
Repayments of long-term debt	(199,180)	(176,765)
Proceeds from long-term debt	318,682	99,841
Change in interest reserve related to long-term debt	(47)	—
Payment of common stock dividends	(17,082)	(10,676)
Debt issuance costs	(2,425)	(413)
Net cash provided by (used in) financing activities	99,948	(88,013)
Effect of exchange rate changes on cash and cash equivalents	22	(119)
Increase (Decrease) in cash and cash equivalents	65,803	(111,460)
Cash and cash equivalents at beginning of period	97,252	205,045
Cash and cash equivalents at end of period	$163,055	$93,585

See Notes to the Condensed Consolidated Financial Statements.

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AMERICAN RAILCAR INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1 — Description of the Business

The condensed consolidated financial statements included herein have been prepared by American Railcar Industries, Inc. (a North Dakota corporation) and subsidiaries (collectively the Company or ARI), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. The consolidated balance sheet as of December 31, 2013 has been derived from the audited consolidated balance sheets as of that date. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company’s latest Annual Report on Form 10-K for the year ended December 31, 2013. In the opinion of management, the information contained herein reflects all adjustments necessary to present fairly our financial position, results of operations and cash flows for the interim periods reported. The results of operations of any interim period are not necessarily indicative of the results that may be expected for a fiscal year.

The condensed consolidated financial statements of the Company include the accounts of ARI and its direct and indirect wholly-owned subsidiaries: Castings, LLC (Castings), ARI Component Venture, LLC (ARI Component), ARI Fleet Services of Canada, Inc., ARI Longtrain, Inc. (Longtrain), and Longtrain Leasing I, LLC (Longtrain Leasing). The accounts of American Railcar Mauritius I (ARM I) and American Railcar Mauritius II (ARM II) have also been included through December 27, 2013, the effective date of the sale of all of the Company's ownership interests in such entities. See Note 7, Investments in and Loans to Joint Ventures, for further discussion regarding this sale. All intercompany transactions and balances have been eliminated.

Note 2 — Recent accounting pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 supersedes the revenue recognition requirements in Revenue Recognition (Topic 605), and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The new revenue recognition standard also requires disclosures that sufficiently describe the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period and is to be applied retrospectively, or as a cumulative-effect adjustment as of the date of adoption. The Company is currently evaluating the new standard, but does not, at this time, anticipate a material impact to the financial statements once implemented.

Note 3 — Short-term Investments — Available for Sale Securities

During the first quarter of 2013, Longtrain sold approximately 0.8 million shares of The Greenbrier Companies, Inc. common stock, which had been purchased in the open market, for approximately $12.7 million. This resulted in a realized gain of $2.0 million that was recorded in other income on the condensed consolidated statements of operations. See Note 14 for the amount of unrealized gain on the shares during the six months ended June 30, 2013.

Note 4 — Inventories

Inventories consist of the following:

	June 30, 2014	December 31, 2013
	(in thousands)	
Raw materials	$64,646	$63,319
Work-in-process	16,442	19,975
Finished products	13,916	9,205
Total inventories	95,004	92,499
Less reserves	(2,658)	(2,314)

Total inventories, net	$92,346	$90,185

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Note 5 — Property, Plant, Equipment and Railcars on Operating Leases, net

The following table summarizes the components of property, plant, equipment and railcars on operating leases, net:

	June 30, 2014	December 31, 2013
	(in thousands)	
Operations / Corporate:		
Buildings	$156,122	$155,937
Machinery and equipment	188,150	186,844
Land	3,335	3,335
Construction in process	18,685	14,487
	366,292	360,603
Less accumulated depreciation	(208,335)	(201,228)
Property, plant and equipment, net	$157,957	$159,375
Railcar Leasing:		
Railcars on operating leases	$474,499	$388,060
Less accumulated depreciation	(22,469)	(15,509)
Railcars on operating leases, net	$452,030	$372,551

Railcars on operating lease agreements

The Company leases railcars to third parties under multi-year agreements. Railcars subject to lease agreements are classified as operating leases and are depreciated in accordance with the Company's depreciation policy.

Capital expenditures for leased railcars represent cash outflows for the Company's cost to produce railcars shipped or to be shipped for lease.

As of June 30, 2014, future contractual minimum rental revenues required under non-cancellable operating leases for railcars with terms longer than one year are as follows (in thousands):

Remaining 6 months of 2014	$29,840
2015	59,268
2016	57,550
2017	43,401
2018	31,500
2019 and thereafter	47,724
Total	$269,283

Depreciation expense

The following table summarizes depreciation expense:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Total depreciation expense	$7,989	$6,860	$15,672	$13,395
Depreciation expense on leased railcars	$3,659	$2,300	$6,990	$4,415

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Note 6 — Goodwill
As of June 30, 2014, the Company had $7.2 million of goodwill related to the March 2006 acquisition of Custom Steel; a subsidiary of Steel Technologies, Inc. The results attributable to Custom Steel are included in the manufacturing segment.
Goodwill is not amortized, but is subject to an annual review unless conditions arise that require a more frequent evaluation. The review for impairment is either a qualitative assessment or a two-step process. If the Company chooses to perform a qualitative assessment and determines that the fair value of the reporting unit more likely than not exceeds the carrying value, no further evaluation is necessary. For the two-step process, the first step is to compare the estimated fair value of the operating unit with the recorded net book value (including the goodwill). If the estimated fair value of the operating unit is higher than the recorded net book value, no impairment is deemed to exist and no further testing is required. If, however, the estimated fair value of the operating unit is below the recorded net book value, then a second step must be performed to determine if impairment of the goodwill is required. In this second step, the implied fair value of goodwill is calculated as the excess of the fair value of the operating unit over the fair value assigned to the operating unit’s assets and liabilities. If the implied fair value of goodwill is less than the book value of the goodwill, the difference is recognized as an impairment loss.
The Company performed the two-step process as of March 1, 2014 utilizing the market and income approaches and significant assumptions discussed below. Upon completion of step one, the Company determined that the estimated fair value was higher than the recorded net book value and therefore no further testing was deemed necessary and no impairment of goodwill was recorded.
Market Approach
The market approach produces indications of value by applying multiples of enterprise value to revenue as well as enterprise value to earnings before depreciation, amortization, interest and taxes. The multiples indicate what investors are willing to pay for comparable publicly held companies. When adjusted for the risk level and growth potential of the subject company relative to the guideline companies, these multiples are a reasonable indication of the value an investor would attribute to the subject company.
Income Approach
The income approach considers the subject company’s future sales and earnings growth potential as the primary source of future cash flow. ARI prepared a five-year financial projection for the reporting unit and used a discounted net cash flow method to determine the fair value. Net cash flow consists of after-tax operating income, plus depreciation, less capital expenditures and working capital needs. The discounted cash flow method considers a five-year projection of net cash flow and adds to those cash flows a residual value at the end of the projection period.
Significant estimates and assumptions used in the evaluation were forecasted revenues and profits, the weighted average cost of capital and tax rates. Forecasted revenues of the reporting unit were estimated based on historical trends of the ARI plants that the reporting unit supplies parts to, which are driven by the railcar market forecast. Forecasted margins were based on historical experience. The reporting unit does not have a selling, administrative or executive staff; therefore, an estimate of salaries and benefits for key employees was added to represent selling, general and administrative expenses. The weighted average cost of capital was calculated using an estimated cost of equity and debt.
All of the above estimates and assumptions were determined by management to be reasonable based on the knowledge and information at the time of the evaluation. As such, this carries a risk of uncertainty. There could be significant fluctuations in the cost of raw materials, unionization of the Company’s workforce or other factors that might significantly affect the reporting unit’s cost structure and negatively impact the projection of financial performance. If the railcar industry forecasts or ARI’s market share were to change significantly, the fair value of the reporting unit would be materially adversely impacted. Other events that might occur that could have a negative effect would be a natural disaster that would render the facility unusable, a significant litigation settlement, a significant workers’ compensation claim or other event that would result in a production shut down or significant expense to the reporting unit.
Note 7 — Investments in and Loans to Joint Ventures

As of June 30, 2014, the Company was party to two joint ventures: Ohio Castings Company LLC (Ohio Castings) and Axis LLC (Axis). Through its wholly-owned subsidiary, Castings, the Company has a 33.3% ownership interest in Ohio Castings, a limited liability company formed to produce various steel railcar parts for use or sale by the ownership group. Through its wholly-owned subsidiary, ARI Component, the Company has a 41.9% ownership interest in Axis, a limited liability company formed to produce railcar axles for use or sale by the ownership group.

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The Company also previously held, through its wholly-owned direct and indirect subsidiaries, ARM I and ARM II, a 50.0% ownership interest in Amtek Railcar Industries Private Limited (Amtek Railcar), a joint venture that was formed to produce railcars and railcar components in India for sale by the joint venture. The Company, sold its subsidiaries, ARM I and ARM II, thereby selling all of its ownership interest in Amtek Railcar to a third party pursuant to a purchase agreement entered into on December 27, 2013. As a result of the sale, the Company no longer participates in Amtek Railcar. Amtek Railcar incurred a net loss of $0.7 million and $1.0 million for the three and six months ended June 30, 2013, respectively.

The Company accounts for these joint ventures using the equity method. Under this method, the Company recognizes its share of the earnings and losses of the joint ventures as they accrue. Advances and distributions are charged and credited directly to the investment accounts. From time to time, the Company also makes loans to its joint ventures that are included in the investment account. The investment balance for these joint ventures is recorded within the Company’s manufacturing segment. The carrying amount of investments in and loans to joint ventures, which also represents ARI’s maximum exposure to loss with respect to the joint ventures, are as follows:

	June 30, 2014	December 31, 2013
	(in thousands)	
Carrying amount of investments in and loans to joint ventures		
Ohio Castings	$7,708	$7,378
Axis	21,414	24,052
Total investments in and loans to joint ventures	$29,122	$31,430

See Note 15 for information regarding financial transactions with ARI's joint ventures.

Ohio Castings

Ohio Castings produces railcar parts that are sold to one of the joint venture partners. This joint venture partner then sells these railcar parts to outside third parties at current market prices and sells them to the Company and the other joint venture partner at Ohio Castings' cost plus a licensing fee.

The Company has determined that, although the joint venture is a variable interest entity (VIE), accounting for its activity under the equity method is appropriate given that the Company is not the primary beneficiary, does not have a controlling financial interest and does not have the ability to individually direct the activities of Ohio Castings that most significantly impact its economic performance. The significant factors in this determination were that neither the Company nor Castings, has rights to the majority of returns, losses or votes, all major and strategic decisions are decided between the partners, and the risk of loss to Castings and the Company is limited to the Company’s investment through Castings.

Summary financial results for Ohio Castings, the investee company, in total, are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Results of operations				
Revenues	$22,255	$12,794	$36,264	$27,282
Gross profit	$2,788	$515	$2,935	$905
Net earnings (loss)	$1,896	$(116)	$1,327	$(349)

Axis

ARI, through a wholly-owned subsidiary, owns a portion of a joint venture, Axis, to manufacture and sell railcar axles. ARI currently owns 41.9% of Axis, while a minority partner owns 9.7%, with the other significant partner owning 48.4%.

Under the terms of the joint venture agreement, ARI and the other significant partner are required, and the minority partner is entitled, to contribute additional capital to the joint venture, on a pro rata basis, of any amounts approved by the joint venture’s executive committee, as and when called by the executive committee. Further, until 2016, the seventh anniversary of completion of the axle manufacturing facility, and subject to other terms, conditions and limitations of the joint venture agreement, ARI and the other significant partner are also required, in the event production at the facility has been curtailed, to contribute capital to the joint venture, on a pro rata basis, in order to maintain adequate working capital.

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Under the amended Axis credit agreement (Axis Credit Agreement), whereby ARI and the other significant partner are equal lenders, principal payments are due each fiscal quarter, with the last payment due on December 31, 2019. During 2013 and 2014, the applicable interest rate for the loans under the Axis Credit Agreement was 7.75%. Interest payments are due and payable monthly.

The balance outstanding on these loans, including interest, due to ARI Component, was $30.9 million as of June 30, 2014 and $32.9 million as of December 31, 2013.

The Company has determined that, although the joint venture is a VIE, accounting for its activity under the equity method is appropriate given that the Company is not the primary beneficiary, does not have a controlling financial interest and does not have the ability to individually direct the activities of Axis that most significantly impact its economic performance. The significant factors in this determination were that the Company and its wholly-owned subsidiary do not have the rights to the majority of votes or the rights to the majority of returns or losses, the executive committee and board of directors of the joint venture are comprised of one representative from each significant partner with equal voting rights and the risk of loss to the Company and subsidiary is limited to its investment in Axis and the loans due to the Company under the Axis Credit Agreement. The Company also considered the factors that most significantly impact Axis' economic performance and determined that ARI does not have the power to individually direct the majority of those activities.

Summary financial results for Axis, the investee company, in total, are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Results of operations				
Revenues	$18,225	$12,134	$33,076	$23,076
Gross profit	$1,202	$1,302	$1,514	$1,459
Earnings before interest	$951	$1,056	$1,023	$981
Net loss	$(281)	$(300)	$(1,472)	$(1,743)

As of June 30, 2014, the investment in Axis was comprised entirely of ARI's term loan and revolver. The Company has evaluated this loan to be fully recoverable. The Company will continue to monitor its investment in Axis for impairment.

Note 8 — Warranties

The overall change in the Company's warranty reserve is reflected on the condensed consolidated balance sheet in accrued expenses and taxes and is detailed as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Liability, beginning of period	$1,498	$1,220	$1,385	$1,374
Provision for warranties issued during the year, net of adjustments	307	567	596	877
Adjustments to warranties issued during previous years	14	(43)	(23)	(396)
Warranty claims	(165)	(225)	(304)	(336)
Liability, end of period	$1,654	$1,519	$1,654	$1,519

Note 9 — Long-term Debt

2012 Lease Fleet Financing

In December 2012, Longtrain Leasing entered into a senior secured delayed draw term loan facility (Original Term Loan) secured by a portfolio of railcars, railcar leases, the receivables associated with those railcars and leases, and certain other assets of Longtrain Leasing. The Original Term Loan provided for an initial draw at closing (Initial Draw) and allowed for up to two additional draws. Upon closing, the Initial Draw was $98.4 million, net of fees and expenses.

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During the first half of 2013, ARI made two additional draws amounting to $99.8 million in aggregate under the Original Term Loan, fully utilizing its capacity. The additional draws during 2013 resulted in proceeds received of $99.4 million, net of fees and expenses. As of December 31, 2013, the outstanding principal balance on the Original Term Loan, including the current portion, was $194.8 million. The Original Term Loan, which had a maturity date of February 27, 2018, bore interest at one-month LIBOR plus 2.5%, for a rate of 2.7% as of December 31, 2013.

2014 Lease Fleet Refinancing

On January 15, 2014 (Closing Date), Longtrain Leasing refinanced its Original Term Loan under an amended and restated credit agreement (Amended and Restated Credit Agreement) to, among other things, increase the aggregate borrowings available thereunder. In connection with the refinancing, Longtrain Leasing entered into a new senior secured term loan facility in an aggregate principal amount of $316.2 million, net of fees and expenses (Refinanced Term Loan). Of this amount, $194.2 million was used to refinance the Original Term Loan, resulting in net proceeds of $122.0 million. In conjunction with the refinancing, the Company incurred a $1.9 million loss, which is shown as loss on debt extinguishment on the condensed consolidated statements of operations. This non-cash charge is related to the accelerated write-off of deferred debt issuance costs incurred in connection with the Original Term Loan. As of June 30, 2014, the outstanding principal balance on the Refinanced Term Loan, including the current portion, was $314.3 million.

The fair value of the Company's borrowings under its lease fleet financing facility was $314.3 million and $194.8 million as of June 30, 2014 and December 31, 2013, respectively, and is based upon estimates by various banks determined by trading levels on the date of measurement using a Level 2 fair value measurement as defined by U.S. GAAP under the fair value hierarchy.

The terms of the Amended and Restated Credit Agreement also provide Longtrain Leasing with the right, but not the obligation, to increase the amount of the Refinanced Term Loan in an aggregate additional amount not to exceed $100.0 million subject to the conditions set forth in the Amended and Restated Credit Agreement. The Refinanced Term Loan accrues interest at a rate per annum equal to the 1-month LIBOR rate plus 2.0%, for a rate of 2.2% as of June 30, 2014, subject to an alternative rate as set forth in the Amended and Restated Credit Agreement. The interest rate increases by 2.0% following certain events of default.

Pursuant to the terms of the Original Term Loan and the Amended and Restated Credit Agreement, the Company has been required to maintain deposits in an interest reserve bank account equal to nine and seven months, respectively, of interest payments. As of June 30, 2014 and December 31, 2013, the interest reserve amount was $4.0 million and $3.9 million, respectively, and included within 'Restricted cash' on the condensed consolidated balance sheet. The Refinanced Term Loan may be prepaid at Longtrain Leasing’s option at any time without premium or penalty (other than customary LIBOR breakage fees) prior to the final scheduled maturity of the Refinanced Term Loan, which is January 15, 2020.

Longtrain Leasing is required to maintain a loan to value ratio of at least 80% of the Net Aggregate Equipment Value, as defined in the Amended and Restated Credit Agreement. The Amended and Restated Credit Agreement contains certain representations, warranties, and affirmative and negative covenants applicable to ARI and/or Longtrain Leasing, which are customarily applicable to senior secured facilities. Key covenants include limitations on Longtrain Leasing’s indebtedness, liens, investments, acquisitions, asset sales, redemption payments, and affiliate and extraordinary transactions; full cash sweep; covenants relating to the maintenance of Longtrain Leasing as a separate legal entity; financial and other reporting and periodic appraisals; maintenance of railcars, leases, and other assets; and Longtrain Leasing’s compliance with a Debt Service Coverage Ratio (as defined in the Amended and Restated Credit Agreement) of 1.05 to 1.00, measured quarterly on a nine-month trailing basis, and subject to up to a 75 - 135 day cure period.

The Amended and Restated Credit Agreement also obligates Longtrain Leasing and ARI to maintain ARI’s separateness and to ensure that the collections from the railcar leases along with the railcars that secure the Refinanced Term Loan are managed in accordance with the Amended and Restated Credit Agreement. Additionally, ARI is obligated to make any selections of transfers of railcars, railcar leases, receivables and related assets to be conveyed to Longtrain Leasing in good faith and without any adverse selection, to cause American Railcar Leasing LLC (ARL), as the manager, to maintain, lease, and re-lease Longtrain Leasing’s equipment no less favorably than similar portfolios serviced by ARL, and to repurchase or replace railcars that are reported as Eligible Units (as defined in the Amended and Restated Credit Agreement) when they are not Eligible Units, subject to limitations on liability set forth in the Amended and Restated Credit Agreement. The Company was in compliance with all of its covenants under the Amended and Restated Credit Agreement as of June 30, 2014.

The Refinanced Term Loan is secured by a first lien on substantially all assets of Longtrain Leasing, consisting of railcars, railcar leases, receivables and related assets, subject to borrowing base calculations and limited exceptions. As of June 30, 2014, the net book value of the railcars that were pledged as part of the Refinanced Term Loan was $309.3 million. As of December 31, 2013, the net book value of the railcars that were pledged as part of the Original Term Loan was $216.7 million.

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The future contractual minimum rental revenues related to the railcars pledged as of June 30, 2014 are as follows (in thousands):

Remaining 6 months of 2014	$18,115
2015	35,887
2016	35,099
2017	26,458
2018	17,009
2019 and thereafter	31,703
Total	$164,271

The remaining principal payments under the Amended and Restated Credit Agreement as of June 30, 2014 are as follows (in thousands):

Remaining 6 months of 2014	$5,306
2015	10,612
2016	10,612
2017	10,612
2018	13,703
2019 and thereafter	263,415
Total	$314,260

2007 Senior Unsecured Notes

In February 2007, the Company completed the offering of $275.0 million senior unsecured fixed rate notes, which were subsequently exchanged for registered notes in March 2007 (Notes). The Notes bore interest at a fixed interest rate of 7.5%.

On September 4, 2012, ARI completed a voluntary partial early redemption of $100.0 million of the Notes at a rate of 101.875% of the principal amount, plus any accrued and unpaid interest.

On March 1, 2013, ARI completed a voluntary redemption of the remaining $175.0 million of Notes outstanding at par, plus any accrued and unpaid interest. In conjunction with the redemption, the Company incurred a $0.4 million loss, which is shown as loss on debt extinguishment on the condensed consolidated statements of operations. This non-cash charge is related to the accelerated write-off of the remaining portion of deferred debt issuance costs incurred in connection with the Notes.

Note 10 — Income Taxes

The Company’s federal income tax returns for tax years 2009 and beyond remain subject to examination, with the latest statute of limitations expiring in September 2017. Certain of the Company's 2008 and 2009 state income tax returns and all of the Company's state income tax returns for 2010 and beyond remain open and subject to examination, with the latest statute of limitations expiring in December 2019. The Company’s foreign subsidiary’s income tax returns for 2010 and beyond remain open to examination by foreign tax authorities.

The Company is continuing to evaluate the impact of the recent regulations concerning amounts paid to acquire, produce, or improve tangible property and recovery of basis upon disposition. Presently, the Company does not anticipate a material impact to its financial condition or results of operations.

Note 11 — Employee Benefit Plans

The Company is the sponsor of three defined benefit plans that are frozen and no additional benefits are accruing thereunder. Two of the Company's defined benefit pension plans cover certain employees at designated repair facilities. The assets of these defined benefit pension plans are held by independent trustees and consist primarily of equity and fixed income securities. The Company also sponsors an unfunded, non-qualified supplemental executive retirement plan that covers several of the Company's current and former employees. The Company provides postretirement life insurance benefits for certain of its union employees who retired after attaining specified age and service requirements. The Company also previously sponsored a postretirement medical benefit plan that provided access to healthcare for certain retired employees, however, this plan was terminated effective December 31, 2013.

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The components of net periodic benefit cost for the pension and postretirement plans are as follows:

	Pension Benefits			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Service cost	$57	$50	$114	$99
Interest cost	242	220	485	441
Expected return on plan assets	(313)	(278)	(626)	(557)
Amortization of net actuarial loss/prior service cost	70	194	139	388
Net periodic cost recognized	$56	$186	$112	$371

	Postretirement Benefits			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Service cost	$—	$1	$—	$1
Interest cost	1	1	2	2
Amortization of net actuarial gain/prior service credit	(15)	(117)	(29)	(234)
Net periodic benefit recognized	$(14)	$(115)	$(27)	$(231)

The Company also maintains qualified defined contribution plans, which provide benefits to its eligible employees based on employee contributions, years of service, and employee earnings with discretionary contributions allowed. Expenses related to these plans were $0.3 million for each of the three months ended June 30, 2014 and 2013 and $0.5 million for each of the six months ended June 30, 2014 and 2013.

Note 12 — Commitments and Contingencies

The Company is 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 and wastes, and other laws and regulations relating to the protection of human health and the environment. These laws and regulations not only expose ARI to liability for the environmental condition of its current or formerly owned or operated facilities, and its own negligent acts, but also may expose ARI to liability for the conduct of others or for ARI’s actions that were in compliance with all applicable laws at the time such 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 and other sanctions may be imposed for non-compliance with these environmental laws and regulations. ARI’s operations that involve hazardous materials also raise potential risks of liability under common law.

Certain real property ARI acquired from ACF Industries LLC (ACF) in 1994 had been involved in investigation and remediation activities to address contamination both before and after their transfer to ARI. ACF is an affiliate of Mr. Carl Icahn, the Company’s principal beneficial stockholder through Icahn Enterprises L.P. (IELP). Substantially all of the issues identified with respect to these properties relate to the use of these properties prior to their transfer to ARI by ACF and for which ACF has retained liability for environmental contamination that may have existed at the time of transfer to ARI. ACF has also agreed to indemnify ARI for any cost that might be incurred with those existing issues. As of the date of this report, it is the Company's understanding that no further investigation or remediation is required at these properties and ARI does not believe it will incur material costs in connection with such activities, but it cannot assure that this will be the case. If ACF fails to honor its obligations to ARI, ARI could be responsible for the cost of any additional investigation or remediation that may be required. The Company believes that its 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 its financial condition or results of operations.

ARI is a party to collective bargaining agreements with labor unions at two repair facilities that will expire in January 2016 and September 2016. ARI is also party to a collective bargaining agreement with a labor union at a parts manufacturing facility that will expire in April 2017.

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The Company has various agreements with and commitments to related parties. See Note 15 for further detail.
Certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against ARI. In the opinion of management, all such claims, suits, and complaints arising in the ordinary course of business are without merit or would not have a significant effect on the future liquidity, results of operations or financial position of ARI if disposed of unfavorably.

Note 13 — Share-Based Compensation

The following table presents the amounts incurred by ARI for share-based compensation, or stock appreciation rights (SARs) and the corresponding line items on the condensed consolidated statements of operations that they are classified within:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Share-based compensation expense (income)				
Cost of revenues: Manufacturing	$(93)	$(538)	$763	$494
Cost of revenues: Railcar Services	(40)	(253)	238	32
Selling, general and administrative	99	(2,142)	2,971	2,549
Total share-based compensation expense (income)	$(34)	$(2,933)	$3,972	$3,075

As of June 30, 2014, unrecognized compensation costs related to the unvested portion of SARs were estimated to be $2.6 million and were expected to be recognized over a weighted average period of 28 months.

Note 14 — Accumulated Other Comprehensive Income (Loss)

The following table presents the balances of related after-tax components of accumulated other comprehensive income (loss).

	Accumulated Short-term Investment Transactions	Accumulated Currency Translation	Accumulated Postretirement Transactions	Accumulated Other Comprehensive Income (Loss)
	(In thousands)			
Balance December 31, 2012	$1,213	$1,562	$(3,162)	$(387)
Currency translation	—	(658)	—	(658)
Unrealized gain on available for sale securities, net of tax effect of $51	93	—	—	93
Reclassifications related to pension and postretirement plans, net of tax effect of $60 (1)	—	—	94	94
Reclassifications related to available for sale securities, net of tax effect of $702 (2)	(1,306)	—	—	(1,306)
Balance June 30, 2013	$—	$904	$(3,068)	$(2,164)
Balance December 31, 2013	$—	$760	$(2,254)	$(1,494)
Currency translation	—	(42)	—	(42)
Reclassifications related to pension and postretirement plans, net of tax effect of $42 (1)	—	—	67	67
Balance June 30, 2014	$—	$718	$(2,187)	$(1,469)

(1)— These accumulated other comprehensive income components relate to amortization of actuarial loss/(gain) and prior period service costs/(benefits) and are included in the computation of net periodic costs for our pension and postretirement plans. See Note 11 for further details and pre-tax amounts.

(2)—

This accumulated other comprehensive income component relates to realized gains on available for sale securities sold. See Note 3 for further details and pre-tax amounts.

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Note 15 — Related Party Transactions

Agreements with ACF

The Company has the following agreements with ACF, a company controlled by Mr. Carl Icahn, the Company's principal beneficial stockholder through IELP:

Manufacturing services agreement

Under the manufacturing services agreement entered into in 1994 and amended in 2005, ACF agreed to manufacture and distribute, at the Company's instruction, various railcar components. In consideration for these services, the Company agreed to pay ACF based on agreed upon rates. ARI purchased \$0.7 million and \$0.9 million of components from ACF during the three and six months ended June 30, 2014, respectively and less than \$0.1 million during both comparable periods in 2013. The agreement automatically renews unless written notice is provided by the Company.

Purchasing and engineering services agreement

In January 2013, ARI entered into a purchasing and engineering services agreement and license with ACF. The agreement was unanimously approved by the independent directors of ARI's audit committee on the basis that the terms of the agreement were not materially less favorable to ARI than those that could have been obtained in a comparable transaction with an unrelated person. Under this agreement, ARI provides purchasing support and engineering services to ACF in connection with ACF's manufacture and sale of certain tank railcars at its facility in Milton, Pennsylvania. Additionally, ARI has granted ACF a non-exclusive, non-assignable license to certain of ARI's intellectual property, including certain designs, specifications, processes and manufacturing know-how required to manufacture and sell such tank railcars during the term of the agreement. Subject to certain early termination events, the agreement shall terminate on December 31, 2014.

In consideration of the services and license provided by ARI to ACF in conjunction with the agreement, ACF pays ARI a royalty and, if any, a share of the net profits (Profits) earned on each railcar manufactured and sold by ACF under the agreement, in an aggregate amount equal to 30 percent of such Profits, as calculated under the agreement. Profits are net of certain of ACF's start-up and shutdown expenses and certain maintenance capital expenditures. If no Profits are realized on a railcar manufactured and sold by ACF pursuant to the agreement, ARI will still be entitled to the royalty for such railcar and will not share in any losses incurred by ACF in connection therewith. In addition, any railcar components supplied by ARI to ACF for the manufacture of these railcars shall be provided at fair market value.

Under the agreement, ACF had the exclusive right to manufacture and sell subject tank railcars for any new orders scheduled for delivery to customers on or before January 31, 2014. ARI has the exclusive right to any sales opportunities for such tank railcars for any new orders scheduled for delivery after that date and through December 31, 2014. ARI also has the right to assign any sales opportunity to ACF, and ACF has the right, but not the obligation, to accept such sales opportunity. Any sales opportunity accepted by ACF will not be reflected in ARI's orders or backlog.

Revenues of \$6.1 million and \$11.7 million for the three and six months ended June 30, 2014, respectively, compared to \$3.2 million and \$3.4 million for the same periods in 2013 were recorded under this agreement for sales of railcar components to ACF and for royalties and profits on railcars sold by ACF and are included under manufacturing revenues from affiliates on the condensed consolidated statements of operations.

Agreements with IELP Entities

The Company has or had the following agreements with companies controlled by Mr. Carl Icahn, the Company's principal beneficial stockholder through IELP, including, but not limited to, ARL and/or ARL's wholly owned subsidiary, AEP Leasing LLC (collectively, the IELP Entities):

Railcar services agreement

In April 2011, the Company entered into a railcar services agreement with ARL (the Railcar Services Agreement). Under the Railcar Services Agreement, ARI provides ARL railcar repair, engineering, administrative and other services, on an as needed basis, for ARL's lease fleet at mutually agreed upon prices. The Railcar Services Agreement had an initial term of three years and automatically renews for additional one year periods unless either party provides at least sixty days prior written notice of termination.

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Revenues of $4.7 million and $8.7 million for the three and six months ended June 30, 2014, respectively, compared to $4.6 million and $9.2 million for the same periods in 2013 were recorded under the Railcar Services Agreement. These revenues are included under railcar services revenues from affiliates on the condensed consolidated statements of operations. The terms and pricing on services provided to related parties are not less favorable to ARI than the terms and pricing on services provided to unaffiliated third parties. The Railcar Services Agreement was unanimously approved by the independent directors of the Company’s audit committee on the basis that the terms were no less favorable than those that could have been obtained from an independent third party.

Railcar management agreements

On February 29, 2012, the Company entered into a railcar management agreement with ARL, pursuant to which the Company engaged ARL to sell or lease ARI’s railcars in certain markets, subject to the terms and conditions of the agreement. The agreement was effective as of January 1, 2011, will continue through December 31, 2015, and may be renewed upon written agreement by both parties. In December 2012, Longtrain Leasing entered into a similar agreement with ARL. In January 2014, Longtrain Leasing and ARL amended this agreement to, among other things, extend the termination date to January 15, 2020 (collectively the Railcar Management Agreements).

The Railcar Management Agreements also provide that ARL will manage the Company’s and Longtrain Leasing's leased railcars including arranging for services, such as repairs or maintenance, as deemed necessary. Subject to the terms and conditions of each agreement, ARL will receive, in respect of leased railcars, a fee consisting of a lease origination fee and a management fee based on the lease revenues, and, in respect of railcars sold by ARL, sales commissions. The Railcar Management Agreements were unanimously approved by the independent directors of the Company's audit committee on the basis that the terms were no less favorable than those that could have been obtained from an independent third party.

Total lease origination and management fees incurred under the Railcar Management Agreements were $1.0 million and $1.8 million for the three and six months ended June 30, 2014, respectively, compared to $0.5 million and $1.0 million for the same periods in 2013. These fees are included in cost of revenues for railcar leasing on the condensed consolidated statements of operations. Sales commissions of $0.1 million and $0.2 million were incurred for each of the three and six months ended June 30, 2014, respectively, compared to less than $0.1 million and $0.2 million for the same periods in 2013. These costs are included in selling, general and administrative costs on the condensed consolidated statements of operations.

Railcar orders

The Company has from time to time manufactured and sold railcars to the IELP Entities under long-term agreements as well as on a purchase order basis. Revenues from railcars sold to the IELP Entities were $85.0 million and $120.6 million for the three and six months ended June 30, 2014, respectively, compared to $16.7 million and $79.5 million for the same periods in 2013 and are included in manufacturing revenues from affiliates on the condensed consolidated statements of operations. The terms and pricing on sales to related parties are not less favorable to ARI than the terms and pricing on sales to unaffiliated third parties. Any related party sales of railcars under an agreement or purchase order have been and will be subject to the approval or review by the independent directors of the Company’s audit committee.

Agreements with other related parties

The Company’s Axis joint venture entered into a credit agreement in 2007. During 2009, the Company and the other significant partner acquired the loans from the lenders party thereto, with each party acquiring a 50.0% interest in the loans. The balance outstanding on these loans, due to ARI Component, was $30.9 million and $32.9 million as of June 30, 2014 and December 31, 2013, respectively. See Note 7 for further information regarding this transaction and the terms of the underlying loans.

ARI is party to a scrap agreement with M. W. Recycling (MWR), a company controlled by Mr. Carl Icahn, the Company’s principal beneficial stockholder through IELP. Under the agreement, which extends through November 2015, ARI sells and MWR purchases scrap metal from several ARI plant locations. MWR collected scrap material totaling $2.1 million and $4.3 million for the three and six months ended June 30, 2014, respectively, compared to $1.6 million and $3.3 million for the same periods in 2013. This agreement was entered into at arm’s-length and was approved by the independent directors of the Company’s audit committee on the basis that the terms of the agreement were no less favorable than those that could have been obtained from an independent third party.

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Insight Portfolio Group LLC (Insight Portfolio Group) is an entity formed and controlled by Mr. Carl Icahn in order to maximize the potential buying power of a group of entities with which Mr. Carl Icahn has a relationship in negotiating with a wide range of suppliers of goods, services and tangible and intangible property at negotiated rates. ARI, and a number of other entities with which Carl Icahn has a relationship, have minority ownership interests in, and pay fees as part of being a member of Insight Portfolio Group. During both the three and six months ended June 30, 2014 and 2013, the Company incurred less than $0.1 million in fees as a member of Insight Portfolio Group. These charges are included in selling, general and administrative costs on the condensed consolidated statements of operations.

In March 2014, the Company appointed Mr. Yevgeny Fundler as its senior vice president, general counsel, and secretary. In March 2014, Mr. Fundler also assumed the role of general counsel with ARL. In addition, since March 2010, he has consulted for Insight Portfolio Group as its general counsel. The independent directors of the Company’s audit committee considered Mr. Fundler’s provision of services to ARL and Insight Portfolio Group in connection with their review and approval of Mr. Fundler’s employment by the Company.

Financial information for transactions with related parties

Cost of revenues for manufacturing included $33.5 million and $60.4 million for the three and six months ended June 30, 2014, respectively, compared to $21.7 million and $40.1 million for the same periods in 2013 for railcar components purchased from joint ventures.

Inventory as of June 30, 2014 and December 31, 2013, included $6.1 million and $6.2 million, respectively, of railcar components purchased from joint ventures and all profit for this inventory still on hand was eliminated.

Note 16 — Operating Segment and Sales and Credit Concentrations

ARI operates in three reportable segments: manufacturing, railcar leasing and railcar services. These reportable segments are organized based upon a combination of the products and services offered and performance is evaluated based on revenues and segment earnings (loss) from operations. Intersegment revenues are accounted for as if sales were to third parties.

Manufacturing

Manufacturing consists of railcar manufacturing, and railcar and industrial component manufacturing. Intersegment revenues are determined based on an estimated fair market value of the railcars manufactured for the Company’s railcar leasing segment, as if such railcars had been sold to a third party. Revenues for railcars manufactured for the Company’s leasing segment are not recognized in consolidated revenues as railcar sales, but rather lease revenues are recognized over the term of the lease. Earnings from operations for manufacturing include an allocation of selling, general and administrative costs, as well as profit for railcars manufactured for the Company’s railcar leasing segment based on revenue determined as described above.

Railcar Leasing

Railcar leasing consists of railcars manufactured by the Company and leased to third parties under operating leases. Earnings from operations for railcar leasing include an allocation of selling, general and administrative costs and also reflect origination fees paid to ARL associated with originating the lease to the Company’s leasing customers. The origination fees represent a percentage of the revenues from the lease over its initial term and are paid up front.

Railcar Services

Railcar services consists of railcar repair services provided through the Company's various repair facilities, including mini-shops and mobile units, offering a range of services from full to light repair. Earnings from operations for railcar services include an allocation of selling, general and administrative costs.

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Segment Financial Results

The information in the following table is derived from the segments' internal financial reports used by the Company's management for purposes of assessing segment performance and for making decisions about allocation of resources.

	Revenues			Earnings (Loss) from Operations		
	External	Intersegment	Total	External	Intersegment	Total
	(in thousands)					
Three Months Ended June 30, 2014						
Manufacturing	$206,364	$ 61,305	$267,669	$44,597	$ 19,627	$64,224
Railcar Leasing	13,885	—	13,885	7,399	(64)	7,335
Railcar Services	17,260	52	17,312	3,116	10	3,126
Corporate/Eliminations	—	(61,357)	(61,357)	(3,262)	(19,573)	(22,835)
Total Consolidated	$237,509	$ —	$237,509	$51,850	$ —	$51,850
Three Months Ended June 30, 2013						
Manufacturing	$132,242	$ 45,083	$177,325	$32,780	$ 10,126	$42,906
Railcar Leasing	7,527	—	7,527	3,645	8	3,653
Railcar Services	19,635	46	19,681	4,083	(41)	4,042
Corporate/Eliminations	—	(45,129)	(45,129)	(639)	(10,093)	(10,732)
Total Consolidated	$159,404	$ —	$159,404	$39,869	$ —	$39,869
Six Months Ended June 30, 2014						
Manufacturing	$360,327	$ 125,334	$485,661	$78,252	$ 39,357	$117,609
Railcar Leasing	25,631	—	25,631	13,629	(33)	13,596
Railcar Services	33,666	184	33,850	5,297	48	5,345
Corporate/Eliminations	—	(125,518)	(125,518)	(8,821)	(39,372)	(48,193)
Total Consolidated	$419,624	$ —	$419,624	$88,357	$ —	$88,357
Six Months Ended June 30, 2013						
Manufacturing	$305,217	$ 100,491	$405,708	$66,759	$ 19,908	$86,667
Railcar Leasing	14,070	—	14,070	5,808	12	5,820
Railcar Services	35,227	95	35,322	6,388	2	6,390
Corporate/Eliminations	—	(100,586)	(100,586)	(7,857)	(19,922)	(27,779)
Total Consolidated	$354,514	$ —	$354,514	$71,098	$ —	$71,098

Total Assets	June 30, 2014	December 31, 2013
	(in thousands)	
Manufacturing	$306,654	$298,951
Railcar Leasing	602,637	478,000
Railcar Services	55,020	52,150
Corporate/Eliminations	13,569	(3,492)
Total Consolidated	$977,880	$825,609

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Sales to Related Parties

As discussed in Note 15, ARI has numerous arrangements with related parties. As a result, from time to time, ARI offers its products and services to affiliates at terms and pricing no less favorable to ARI than the terms and pricing provided to unaffiliated third parties. Below is a summary of revenue from affiliates for each operating segment reflected as a percentage of total consolidated revenues.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Manufacturing	38.4 %	12.5 %	31.5 %	23.4 %
Railcar Leasing	— %	— %	— %	— %
Railcar Services	2.0 %	2.9 %	2.1 %	2.6 %

Sales and Credit Concentration

Manufacturing revenues from customers that accounted for more than 10% of total consolidated revenues are outlined in the table below. The railcar leasing and railcar services segments had no customers that accounted for more than 10% of the total consolidated revenues for the three and six months ended June 30, 2014 and 2013.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Manufacturing revenues from significant customers	63.1 %	64.8 %	47.5 %	63.3 %

Manufacturing accounts receivable from customers that accounted for more than 10% of consolidated receivables (including accounts receivable, net and accounts receivable, due from related parties) are outlined in the table below. The railcar leasing and railcar services segments had no customers that accounted for more than 10% of the consolidated receivables balance as of June 30, 2014 and December 31, 2013.

	June 30, 2014	December 31, 2013
Manufacturing receivables from significant customers	26.3 %	22.6 %

Note 17 — Subsequent Events

On July 29, 2014, the board of directors of the Company declared a cash dividend of $0.40 per share of common stock of the Company to shareholders of record as of September 16, 2014 that will be paid on September 23, 2014.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this report are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (Exchange Act), including statements regarding our plans, objectives, expectations and intentions. Such statements include, without limitation, statements regarding various estimates we have made in preparing our financial statements, statements regarding expected future trends relating to our industry, potential regulatory developments, anticipated customer demand for our products, trends relating to our shipments, leasing, railcar services and revenues, our strategic objectives and long-term strategies, trends related to shipments for direct sale versus lease, our results of operations, financial condition and the sufficiency of our capital resources, statements regarding our capital expenditure plans and expansion of our business, anticipated benefits regarding the growth of our leasing business, the mix of railcars in our lease fleet and lease fleet financings, anticipated production schedules for our products and the anticipated production schedules of our joint ventures, our backlog, our plan regarding future dividends and the anticipated performance and capital requirements of our joint ventures. These forward-looking statements are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those anticipated.

Risks and uncertainties that could adversely affect our business and prospects include without limitation:

- our prospects in light of the cyclical nature of our business;
- the impact of an economic downturn, adverse market conditions and restricted credit markets;
- the health of and prospects for the overall railcar industry;
- the highly competitive nature of the manufacturing, railcar leasing and railcar services industries;
- our reliance upon a small number of customers that represent a large percentage of our revenues and backlog;
- the variable purchase patterns of our railcar customers and the timing of completion, customer acceptance and shipment of orders;
- our ability to manage overhead and variations in production rates;
- our ability to recruit, retain and train adequate numbers of qualified personnel;
- fluctuations in the costs of raw materials, including steel and railcar components, and delays in the delivery of such raw materials and components;
- fluctuations in the supply of components and raw materials we use in railcar manufacturing;
- the ongoing benefits and risks related to our relationship with Mr. Carl Icahn, our principal beneficial stockholder through Icahn Enterprises L.P. (IELP), and certain of his affiliates;
- the risk of being unable to market or remarket railcars for sale or lease at favorable prices or on favorable terms or at all;
- the sufficiency of our liquidity and capital resources;
- the impact, costs and expenses of any litigation we may be subject to now or in the future;
- risks associated with ongoing compliance with environmental, health, safety, and regulatory laws and regulations, which may be subject to change;
- the conversion of our railcar backlog into revenues;
- the risks associated with our current joint ventures and anticipated capital needs of, and production at our joint ventures;
- the risks, impact and anticipated benefits associated with potential joint ventures, acquisitions or new business endeavors;
- the implementation, integration with other systems or ongoing management of our new enterprise resource planning system; and
- risks related to our indebtedness and compliance with covenants contained in our financing arrangement.

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In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “could,” “would,” “expe “plans,” “anticipates,” “believes,” “estimates,” “projects,” “predicts,” “potential” and similar expressions intended to identify forward-looking statements. 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 materially better or worse than anticipated. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Forward-looking statements represent our estimates and assumptions only as of the date of this report. We expressly disclaim any duty to provide updates to forward-looking statements, and the estimates and assumptions associated with them, after the date of this report, 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 above and under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2013 (Annual Report), as well as the risks and uncertainties discussed elsewhere in this report and the Annual Report. We qualify all of our forward-looking statements by these cautionary statements. We caution you that these risks are not exhaustive. We operate in a continually changing business environment and new risks emerge from time to time.

EXECUTIVE SUMMARY

We are a leading North American designer and manufacturer of hopper and tank railcars, which are currently the two largest markets within the railcar industry. We provide our railcar customers with integrated solutions through a comprehensive set of high quality products and related services offered by our three reportable segments: manufacturing, railcar leasing and railcar services. Manufacturing consists of railcar manufacturing and railcar and industrial component manufacturing. Railcar leasing consists of railcars manufactured by us and leased to third parties under operating leases. Railcar services consists of railcar repair services provided through our various repair facilities, including mini-shops and mobile units, offering a range of services from full to light repair.

The North American railcar market has been, and we expect it to continue to be, highly cyclical. Demand for hopper railcars is on the rise as the market has strengthened. Consistent with industry expectations, we believe strong demand for hopper railcars will continue for the next several quarters. Additionally, tank railcar deliveries continue at strong levels. Potential regulations related to tank railcars in the U.S. and Canada, if adopted, likely would impact future new railcar production rates and orders from our customers, as well as require retrofit and maintenance work to existing railcars, which we believe ARI is well-positioned to support. We cannot assure you that hopper or tank railcar demand will continue at strong levels, that demand for any railcar types will improve, or that our railcar orders and shipments will track industry-wide trends. Similarly, we cannot assure you of the scope, timing or impact of any potential regulatory change affecting the North American railcar industry.

In the second quarter of 2014, we experienced new quarterly records for both revenue and earnings driven by increased demand for hopper railcars, strong levels of tank railcar shipments, and our ability to efficiently ramp up and maintain high production levels. The positive results for the quarter were generated from a high mix of railcars, both hoppers and tank railcars, manufactured for direct sale. During the second quarter of 2014, we shipped approximately 2,140 railcars, which is 63% higher than that of the same period in 2013. Railcars built for the Company's lease fleet represented 22% of ARI’s total railcar shipments during the second quarter of 2014 compared to 29% for the same period in 2013. This resulted in a higher level of direct sale shipments than in recent quarters. We expect that, during the second half of 2014, more of our railcar shipments will be for our lease fleet than for direct sale. Because revenues and earnings related to leased railcars are recognized over the life of the lease, our quarterly results may vary depending on the mix of lease versus direct sale railcars that we ship during a given period.

As of June 30, 2014, we have a backlog of approximately 9,530 railcars including approximately 2,700 railcars (28%) for lease customers. In response to changes in customer demand, we continue to adjust production rates as needed at our railcar manufacturing facilities.

To further diversify our business, we remain committed to the growth of our lease fleet and are evaluating opportunities within our repair network to increase capacity or expand to new locations to meet increasing demand for retrofits, tank certifications, and railcar maintenance. Our Brookhaven, Mississippi repair plant is complete and will be operational during the third quarter of 2014, thus further expanding our capacity for repair projects. Additionally, we are planning to begin expansion work on two of our existing repair plants later this year.

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RESULTS OF OPERATIONS
Three and six months ended June 30, 2014 compared to three and six months ended June 30, 2013
Consolidated Results

	Three Months Ended June 30, 2014	2013	$ Change	% Change	Six Months Ended June 30, 2014	2013	$ Change	% Change
	(in thousands)				(in thousands)			
Revenues:								
Manufacturing	$206,364	$132,242	$74,122	56.1	$360,327	$305,217	$55,110	18.1
Railcar leasing	13,885	7,527	6,358	84.5	25,631	14,070	11,561	82.2
Railcar services	17,260	19,635	(2,375)	(12.1)	33,666	35,227	(1,561)	(4.4)
Total revenues	$237,509	$159,404	$78,105	49.0	$419,624	$354,514	$65,110	18.4
Cost of revenues:								
Manufacturing	$(160,033)	$(97,709)	$(62,324)	(63.8)	$(278,398)	$(234,832)	$(43,566)	(18.6)
Railcar leasing	(5,382)	(3,301)	(2,081)	(63.0)	(9,873)	(6,205)	$(3,668)	(59.1)
Railcar services	(13,424)	(14,860)	1,436	9.7	(26,789)	(27,449)	$660	2.4
Total cost of revenues	$(178,839)	$(115,870)	$(62,969)	(54.3)	$(315,060)	$(268,486)	$(46,574)	(17.3)
Selling, general and administrative	(6,820)	(3,665)	(3,155)	(86.1)	(16,207)	(14,930)	(1,277)	(8.6)
Earnings from operations	$51,850	$39,869	$11,981	30.1	$88,357	$71,098	$17,259	24.3

Revenues
Our total consolidated revenues for the three and six months ended June 30, 2014 increased by 49.0% and 18.4%, respectively, compared to the same periods in 2013. This increase in both periods was due to increased revenues in our manufacturing and railcar leasing segments, partially offset by lower railcar services revenues. During the three months ended June 30, 2014, we shipped approximately 1,670 direct sale railcars, which excludes approximately 470 railcars (22.0% of total shipments) built for our lease fleet, compared to approximately 930 direct sale railcars for the same period of 2013, which excludes approximately 380 railcars (29.0% of total shipments) built for our lease fleet. During the six months ended June 30, 2014, we shipped approximately 2,800 direct sale railcars, which excludes approximately 950 railcars (25.3% of total shipments) built for our lease fleet, compared to approximately 2,300 direct sale railcars for the same period of 2013, which excludes approximately 910 railcars (28.3% of total shipments) built for our lease fleet.

Manufacturing revenues increased by 56.1% during the three month period ended June 30, 2014 compared to the same period in 2013. The change during the quarter was a result of multiple factors. As discussed above, we shipped a significantly higher volume of direct sale railcar shipments, approximately 740 railcars, during the quarter, accounting for 47.4% of the total increase in manufacturing revenues. While production of tank railcars continues at strong levels, a higher percentage of tank railcars were built for our lease fleet during the second quarter of 2014 compared to the same period of 2013, with the related revenues being eliminated in consolidation, as discussed below. In contrast, as the hopper railcar market has strengthened, hopper railcar shipments for direct sale have increased significantly in the second quarter of 2014 compared to the same period in 2013. Hopper railcars generally sell at lower prices than tank railcars due to less material and labor content. While the high mix of direct sale railcar shipments drove an increase in revenues during the second quarter of 2014, we expect that, more of our railcar shipments will be for our lease fleet than for direct sale during the second half of 2014. Because revenues and earnings related to leased railcars are recognized over the life of the lease, our quarterly results may vary depending on the mix of lease versus direct sale railcars that we ship during a given period. Higher revenues from certain material cost changes that we generally pass through to customers, as discussed below, accounted for 8.7% of the total increase in manufacturing revenues.

Manufacturing revenues increased by 18.1% during the six month period ended June 30, 2014 compared to the same period in 2013. The change in manufacturing revenues during the first six months of the year was due to a 14.7% increase resulting from higher volumes of railcar shipments for direct sale, as discussed above, and an increase of 3.4% due to higher revenues from certain material cost changes that we generally pass through to customers, as discussed below.

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Leasing revenues increased by 84.5% and 82.2% during the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013 due to an increase in the number of railcars in our lease fleet and higher average lease rates. The lease fleet grew from 3,500 railcars at June 30, 2013 to 5,390 railcars at June 30, 2014.

Railcar services revenues decreased by 12.1% and 4.4% during the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013. Revenue decreased for the three and six months ended June 30, 2014 compared to the same periods in 2013 due to certain repair projects being performed at our hopper railcar manufacturing facility during the second quarter of 2013 that did not continue into 2014. In 2014, production of hopper railcars has ramped up due to increased demand, thus these repair projects are no longer being performed at our manufacturing facilities.

Cost of revenues

Our total consolidated cost of revenues increased by 54.3% and 17.3% for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013. The increase was primarily due to an increase in our manufacturing and railcar leasing segments, partially offset by a decrease in the railcar services segment.

Cost of revenues increased for our manufacturing segment by 63.8% for the three months ended June 30, 2014 compared to the same period in 2013. This change was primarily a result of higher direct sale railcar shipments causing a 52.0% increase in manufacturing cost of revenues, as discussed above, and an increase of 11.8% resulting from higher material costs for key components and steel. The increase in costs for key components and steel is also reflected as an increase in selling prices as our sales contracts generally include provisions to adjust prices for increases and decreases in the cost of most raw materials and components on a dollar for dollar basis.

Cost of revenues increased for our manufacturing segment by 18.6% for the six months ended June 30, 2014 compared to the same period in 2013. This change was due to an increase of 14.3% due to higher volumes of railcar shipments for direct sale, as discussed above, and an increase of 4.3% resulting from higher material costs for key components and steel.

Cost of revenues for our leasing segment increased by 63.0% and 59.1% for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013 primarily as a result of an increase in our lease fleet, as discussed above.

Cost of revenues for our railcar services segment decreased by 9.7% and 2.4% for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013, primarily due to no longer performing certain repair projects at our hopper railcar manufacturing plant, discussed above, along with a change in the mix of work at our repair facilities. Also impacting the results for the first six months of 2014 were inefficiencies caused by poor weather conditions during the first quarter of 2014.

Selling, general and administrative expenses

Our selling, general and administrative expenses were $6.8 million for the second quarter of 2014 compared to $3.7 million for the same period in 2013. Excluding share-based compensation activity, selling, general and administrative expenses were $6.7 million for the second quarter of 2014 compared to $5.8 million for the same period in 2013. This $0.9 million increase was primarily driven by increased consulting costs. Share-based compensation resulted in expense of $0.1 million for the second quarter of 2014 compared to income of $2.1 million during the same period in 2013. The fluctuation in share-based compensation was driven by the decrease in our stock price of $2 per share during the second quarter of 2014, compared to a decrease of $13 per share during the same period in 2013. While our share-based compensation expense fluctuates with the stock price, past exercises of stock appreciation rights (SARs) have resulted in fewer SARs outstanding, which has reduced the impact that changes in the stock price have on our financial results.

Our total consolidated selling, general and administrative costs increased by $1.3 million, or 8.6%, for the six months ended June 30, 2014 compared to the same period in 2013. This increase was primarily attributable to increases of $0.7 million in legal and consulting costs and $0.4 million in our share-based compensation.

Interest expense

Our total consolidated interest expense increased by 37.4% for the three months ended June 30, 2014, compared to the same period in 2013. This increase resulted from a higher average debt balance as a result of increased borrowings under our lease fleet financing during the first quarter of 2014, partially offset by a lower interest rate under the 2014 borrowing, as discussed below. Our weighted average interest rate during the second quarter of 2014 was 2.2% compared to a weighted average interest rate of 2.7% during the same period in 2013.

Our total consolidated interest expense decreased by 19.0% for the six months ended June 30, 2014, compared to the same period in 2013. This decrease was driven by the lower weighted average interest rate of 2.2% during the first six months of

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2014 compared to a weighted average interest rate of 4.1% during the same period in 2013. The higher weighted average interest rate during the first six months of 2013 was due to the 7.5% senior unsecured notes (Notes) that were redeemed on March 1, 2013. This decrease was partially offset by a higher average debt balance during the first six months of 2014 compared to the same period in 2013.

Loss on debt extinguishment

During the six months ended June 30, 2014, we refinanced our lease fleet financing facility, paying off $194.2 million of outstanding debt under our original 2012 lease fleet financing facility with borrowings under a new facility. This refinancing resulted in a $1.9 million non-cash charge related to the accelerated write-off of the remainder of deferred debt issuance costs incurred in connection with the original lease fleet financing facility. During the same period in 2013, we redeemed $175.0 million of the aggregate principal amount of our Notes, resulting in a $0.4 million non-cash charge related to the accelerated write-off of the remainder of deferred debt issuance costs incurred in connection with the Notes.

Other income

Other income of $2.0 million was recognized in the first six months of 2013 primarily due to realized gains on the sale of short-term investments. Subsequent to this sale, the Company has not made any other short-term investments, and other income for the same period in 2014 was less than $0.1 million.

Earnings (Loss) from Joint Ventures

The breakdown of our earnings (loss) from joint ventures during the three and six months ended June 30, 2014 and 2013 was as follows:

	Three Months Ended June 30, (in thousands)			Six Months Ended June 30, (in thousands)		
	2014	2013	Change	2014	2013	Change
Ohio Castings	$520	$(34)	$554	$330	$(112)	$442
Axis	(185)	(82)	(103)	(596)	(694)	98
Amtek Railcar - India	—	(688)	688	—	(971)	971
Total Earnings (Loss) from Joint Ventures	$335	$(804)	$1,139	$(266)	$(1,777)	$1,511

Our joint venture earnings (loss) was earnings of $0.3 million and a loss of $0.3 million for the three and six months ended June 30, 2014, respectively, compared to losses of $0.8 million and $1.8 million for the same periods in 2013. The increases in both periods were primarily due to our share of losses incurred at our India joint venture, Amtek Railcar Industries Private Limited (Amtek), which was sold in December 2013. Additionally, our share of earnings from our Ohio Castings Company LLC (Ohio Castings) joint venture were $0.5 million and $0.3 million for the three and six months ended June 30, 2014, respectively, compared to losses of less than $0.1 million and $0.1 million for the same periods in 2013. These changes were a result of increased sales and production levels due to strong industry demand for tank and hopper railcars. Our Axis, LLC (Axis) joint venture has also experienced increased demand during the three and six months ended June 30, 2014. Axis has incurred higher production costs during the three months ended June 30, 2014 compared to the same period in the prior year.

Income Tax Expense

Our income tax expense was $18.8 million, or 36.8% of our earnings before income taxes, and $31.0 million, or 36.9% of our earnings before income taxes for the three and six months ended June 30, 2014, respectively, compared to $14.8 million, or 38.5% of our earnings before income taxes, and $26.4 million, or 38.9% of our earnings before income taxes for the same periods in 2013. The decrease in our effective tax rate was primarily due to an increased domestic production activities deduction during 2014 compared to 2013.

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Segment Results

The table below summarizes our historical revenues, earnings from operations and operating margin for the periods shown. Intersegment revenues are accounted for as if sales were to third parties. Operating margin is defined as total segment earnings from operations as a percentage of total segment revenues. Our historical results are not necessarily indicative of operating results that may be expected in the future.

	Three Months Ended June 30,						
	2014			2013			
	(in thousands)						
	External	Intersegment	Total	External	Intersegment	Total	Change
Revenues							
Manufacturing	$206,364	$61,305	$267,669	$132,242	$45,083	$177,325	$90,344
Railcar Leasing	13,885	—	13,885	7,527	—	7,527	6,358
Railcar Services	17,260	52	17,312	19,635	46	19,681	(2,369)
Eliminations	—	(61,357)	(61,357)	—	(45,129)	(45,129)	(16,228)
Total Consolidated	$237,509	$—	$237,509	$159,404	$—	$159,404	$78,105
Earnings (Loss) from Operations							
Manufacturing	$44,597	$19,627	$64,224	$32,780	$10,126	$42,906	$21,318
Railcar Leasing	7,399	(64)	7,335	3,645	8	3,653	3,682
Railcar Services	3,116	10	3,126	4,083	(41)	4,042	(916)
Corporate/Eliminations	(3,262)	(19,573)	(22,835)	(639)	(10,093)	(10,732)	(12,103)
Total Consolidated	$51,850	$—	$51,850	$39,869	$—	$39,869	$11,981

	Six Months Ended June 30,						
	2014			2013			
	(in thousands)						
	External	Intersegment	Total	External	Intersegment	Total	Change
Revenues							
Manufacturing	$360,327	$125,334	$485,661	$305,217	$100,491	$405,708	$79,953
Railcar Leasing	25,631	—	25,631	14,070	—	14,070	11,561
Railcar Services	33,666	184	33,850	35,227	95	35,322	(1,472)
Eliminations	—	(125,518)	(125,518)	—	(100,586)	(100,586)	(24,932)
Total Consolidated	$419,624	$—	$419,624	$354,514	$—	$354,514	$65,110
Earnings (Loss) from Operations							
Manufacturing	$78,252	$39,357	$117,609	$66,759	$19,908	$86,667	$30,942
Railcar Leasing	13,629	(33)	13,596	5,808	12	5,820	7,776
Railcar Services	5,297	48	5,345	6,388	2	6,390	(1,045)
Corporate/Eliminations	(8,821)	(39,372)	(48,193)	(7,857)	(19,922)	(27,779)	(20,414)
Total Consolidated	$88,357	$—	$88,357	$71,098	$—	$71,098	$17,259

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Segment Operating Margins				
Manufacturing	24.0%	24.2%	24.2%	21.4%
Railcar Leasing	52.8%	48.5%	53.0%	41.4%
Railcar Services	18.1%	20.5%	15.8%	18.1%

Manufacturing

Our manufacturing segment revenues, including an estimate of revenues for railcars built for our lease fleet, increased by $90.3 million and $80.0 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013 as a result of increased hopper railcar shipments as well as strong tank railcar market conditions. During the second quarter of 2014, we shipped approximately 2,140 railcars, including approximately 470 railcars built for our lease fleet, compared to approximately 1,310 railcars for the same period of 2013, including approximately 380 railcars built for our lease fleet. During the first six months of 2014, we shipped approximately 3,750 railcars, including approximately 950 railcars built for our lease fleet, compared to approximately 3,210 railcars for the same period of 2013, including approximately 910 railcars built for our lease fleet. The primary reason for the increase in revenues was higher hopper railcar shipments and strong general market conditions for tank railcars.

Manufacturing segment revenues for the three and six months ended June 30, 2014 included estimated revenues of $61.3 million and $125.3 million, respectively, relating to railcars built for our lease fleet, compared to $45.1 million and $100.5 million for the same periods in 2013. Revenues related to railcars built for our lease fleet increased due to a higher quantity of tank railcars shipped for lease, partially offset by a lower quantity of hopper railcars shipped for lease. Such revenues are based on an estimated fair market value of the leased railcars as if they had been sold to a third party, and are eliminated in consolidation. Revenues from railcars manufactured for our railcar leasing segment are not recognized in consolidated revenues as railcar sales, but rather lease revenues are recognized over the term of the lease in accordance with the monthly lease revenues. Railcars built for the lease fleet represented 22% and 25% of our railcar shipments during the three and six months ended June 30, 2014, respectively, compared to 29% and 28% of our railcar shipments during the same periods in 2013.

From time to time, we manufacture and sell railcars to companies controlled by Mr. Carl Icahn, our principal beneficial stockholder through IELP, including, but not limited to, American Railcar Leasing LLC (ARL) and ARL's wholly-owned subsidiary, AEP Leasing LLC (AEP) (collectively, the IELP Entities) under long-term agreements as well as on a purchase order basis. Manufacturing segment revenues for the three and six months ended June 30, 2014 included direct sales of railcars to the IELP Entities totaling $85.0 million and $120.6 million, respectively, compared to $16.7 million and $79.5 million for the same periods in 2013. In addition, we recorded $6.1 million and $11.7 million of sales revenue from ACF Industries LLC (ACF) for royalties and profits on railcars sold by ACF and for sales of railcar components to ACF during the three and six months ended June 30, 2014, respectively, compared to $3.2 million and $3.4 million for the same periods in 2013. Total manufacturing segment revenues from our affiliates represent 38.4% and 31.5% of our total consolidated revenues for the three and six months ended June 30, 2014, respectively, compared to 12.5% and 23.4% for the same periods in 2013. ACF is also affiliated with Mr. Carl Icahn, our principal beneficial stockholder through IELP.

Earnings from operations for our manufacturing segment, which include an allocation of selling, general and administrative costs, as well as estimated profit for railcars manufactured for our railcar leasing segment, increased by $21.3 million and $30.9 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013. Estimated profit on railcars built for our lease fleet, which is eliminated in consolidation, was $19.6 million and $39.4 million for the three and six months ended June 30, 2014, respectively, compared to $10.1 million and $19.9 million for the same periods in 2013. The estimated profit on railcars built for our lease fleet is based on an estimated fair market value of revenues as if the railcars had been sold to a third party, less the cost to manufacture.

Operating margin from our manufacturing segment remained relatively flat during the three months ended June 30, 2014 and 2013 at approximately 24%. Operating margin from our manufacturing segment increased to 24.2% for the six months ended June 30, 2014 compared to 21.4% for the same period in 2013. This increase was due to ramped up production levels at our hopper railcar manufacturing facility that created operating efficiencies and leveraged overhead costs. This is in addition to efficiencies that we continue to generate at our tank railcar manufacturing facility due to continued high production volumes.

Railcar Leasing

Our railcar leasing segment revenues for the three and six months ended June 30, 2014 increased by $6.4 million and $11.6 million, respectively, compared to the same periods in 2013. The increase in revenues was driven by an increase in railcars on lease with third parties and an increase in the average lease rate, as discussed above.

Earnings from operations for our railcar leasing segment, which include an allocation of selling, general and administrative costs, increased by $3.7 million and $7.8 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013. This increase is primarily due to the growth in the number of railcars in our lease fleet and higher average lease rates.

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Railcar Services

Our railcar services segment revenues decreased by $2.4 million and $1.5 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013. The decrease was primarily due to no longer performing certain repair projects at our hopper railcar manufacturing facility, as discussed above.

For the three and six months ended June 30, 2014, our railcar services segment revenues included transactions with ARL totaling $4.7 million, or 2.0% of our total consolidated revenues, and $8.7 million, or 2.1% of our total consolidated revenues, for the three and six months ended June 30, 2014, respectively, compared to $4.6 million, or 2.9% of our total consolidated revenues and $9.2 million, or 2.6% of our total consolidated revenues, for the same periods in 2013.

Earnings from operations for our railcar services segment, which include an allocation of selling, general and administrative costs, decreased by $0.9 million and $1.0 million for the three and six month periods ended June 30, 2014, respectively, compared to the same periods in 2013. Operating margins for this segment were 18.1% and 15.8% for the three and six months ended June 30, 2014, respectively, compared to 20.5% and 18.1% for the same periods in 2013. These decreases are due to a change in the mix of work at our repair facilities. Also impacting the results for the first six months of 2014 were inefficiencies caused by poor weather conditions during the first quarter of 2014.

BACKLOG

We define backlog as the number and estimated market value of railcars that our customers have committed in writing to purchase or lease from us that have not been shipped. As of June 30, 2014, our total backlog was approximately 9,530 railcars, of which approximately 6,830 railcars with an estimated market value of $663.2 million were orders for direct sale and approximately 2,700 railcars with an estimated market value of $322.5 million were orders for railcars that will be subject to lease. As of June 30, 2014, approximately 45% of the railcars in our backlog are expected to be delivered during 2014, of which 21% are for direct sale and 24% are for lease. The remaining 55% of the railcars in our backlog are scheduled to be delivered in 2015 and beyond. As of December 31, 2013, our total backlog was approximately 8,560 railcars, of which approximately 6,230 railcars with an estimated market value of $713.4 million were orders for direct sale and approximately 2,330 railcars with an estimated market value of $326.7 million were orders for railcars that will be subject to lease.

Railcars for Sale. As of June 30, 2014, approximately 72% of the total number of railcars in our backlog were railcars for direct sale. Estimated backlog value of railcars for direct sale reflects the total revenues expected as if such backlog were converted to actual revenues at the end of the particular period. Railcars for direct sale to our affiliates, the IELP Entities, accounted for 23% of the total number of railcars in our backlog as of June 30, 2014.

Railcars for Lease. As of June 30, 2014, approximately 28% of the total number of railcars in our backlog were railcars for lease, subject to firm orders. Estimated backlog value of railcars that will be subject to lease reflects the estimated market value of each railcar. Actual revenues for railcars subject to lease are recognized per the terms of the lease and are not based on the estimated backlog value.

Customer orders may be subject to requests for delays in deliveries, inspection rights and other customary industry terms and conditions, which could prevent or delay railcars in our backlog from being shipped and converted into revenue. Historically, we have experienced little variation between the number of railcars ordered and the number of railcars actually delivered. As delivery dates could be extended on certain orders, we cannot guarantee that our reported railcar backlog will convert to revenue in any particular period, if at all, nor can we guarantee that the actual revenue from these orders will equal our reported estimated market value or that our future revenue efforts will be successful.

The reported backlog includes railcars relating to purchase or lease obligations based upon an assumed product mix consistent with past orders. Changes in product mix from what is assumed would affect the estimated market value of our backlog. Estimated market value reflects known price adjustments for material cost changes but does not reflect a projection of any future material price adjustments that are generally provided for in our customer contracts.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2014, we had net working capital of $232.3 million, including $163.1 million of cash and cash equivalents. As of June 30, 2014, we had $314.3 million of debt outstanding under our lease fleet financing senior secured term loan facility.

Outstanding and Available Debt
Lease fleet financing
In January 2014, our wholly owned subsidiary, Longtrain Leasing I, LLC (Longtrain Leasing), refinanced its original 2012 lease fleet financing facility under an amended and restated credit agreement (Amended and Restated Credit Agreement) in order to, among other things, increase the borrowings available thereunder. In connection with the refinancing, Longtrain Leasing received borrowings of $316.2 million, net of fees and expenses. Of this amount, $194.2 million was used to refinance the original 2012 lease fleet financing facility, resulting in net proceeds to the Company of $122.0 million. The terms of the Amended and Restated Credit Agreement also provide Longtrain Leasing with the right, but not the obligation, to increase the amount of the senior secured term loan facility in an aggregate additional amount not to exceed $100.0 million subject to the conditions set forth in the Amended and Restated Credit Agreement.
The 2014 lease fleet financing facility accrues interest at a rate per annum equal to the 1-month LIBOR rate plus 2.0% and matures in January 2020. Principal and interest payments are due monthly, with any remaining balance payable on the scheduled maturity date. Pursuant to the terms of the original 2012 credit agreement and the Amended and Restated Credit Agreement, Longtrain Leasing has been required to maintain deposits in an interest reserve bank account equal to nine and seven months, respectively, of interest payments. As of June 30, 2014 and December 31, 2013, the interest reserve amount was $4.0 million and $3.9 million, respectively.
This debt is an obligation of Longtrain Leasing that is generally non-recourse to ARI and is secured by a first lien on substantially all assets of Longtrain Leasing, consisting of railcars, railcar leases, receivables and related assets, subject to limited exceptions and any borrowings under the financing are solely the obligations of Longtrain Leasing. ARI has, however, entered into agreements containing certain representations, undertakings, and indemnities. ARI is obligated to make any selections of transfers of railcars, railcar leases, receivables and related assets to be conveyed to Longtrain Leasing in good faith and without any adverse selection, to cause ARL, as the manager, to maintain, lease, and re-lease Longtrain Leasing’s equipment no less favorably than similar portfolios serviced by ARL, and to repurchase or replace railcars that are reported as Eligible Units (as defined in the Amended and Restated Credit Agreement) when they are not Eligible Units, subject to limitations on liability set forth in the Amended and Restated Credit Agreement.
Senior unsecured notes
In February 2007, we issued our senior unsecured 7.5% notes (the Notes) in an outstanding principal amount of $275.0 million. In September 2012, we completed a voluntary partial early redemption of $100.0 million of the Notes at a rate of 101.875% of the principal amount, plus any accrued and unpaid interest. On March 1, 2013, we completed a voluntary early redemption of the remaining $175.0 million of Notes outstanding at a redemption rate of 100.0% of the principal amount of the Notes to be redeemed, plus any accrued and unpaid interest.
Cash Flows
The following table summarizes our change in cash and cash equivalents:

	Six Months Ended June 30,		
	2014	2013	Change
	(in thousands)		
Net cash (used in) provided by:			
Operating activities	$57,593	$54,591	$3,002
Investing activities	(91,760)	(77,919)	(13,841)
Financing activities	99,948	(88,013)	187,961
Effect of exchange rate changes on cash and cash equivalents	22	(119)	141
Increase (Decrease) in cash and cash equivalents	$65,803	$(111,460)	$177,263

Net Cash Provided By Operating Activities
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 accounts receivables, processing of payroll

and associated taxes and payments to our suppliers.

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Our net cash provided by operating activities for the six months ended June 30, 2014 was $57.6 million compared to $54.6 million for the same period in 2013. This increase was primarily due to increased earnings, as described above, along with changes in various operating assets and liabilities, including accounts receivable and inventories, due to the timing of shipments and customer payments.

Net Cash Used In Investing Activities

Our net cash used in investing activities for the six months ended June 30, 2014 was $91.8 million compared to $77.9 million in the same period in 2013. The increase was a result of higher spending on leased railcars during the first six months of 2014 compared to the same period in 2013. In addition, net cash used in investing activities was lower in 2013 due to the sale of short term investments during the first quarter of 2013 resulting in proceeds of $12.7 million.

Net Cash Provided By (Used In) Financing Activities

Our net cash provided by financing activities for the six months ended June 30, 2014 was $99.9 million compared to net cash used in financing activities of $88.0 million in the same period in 2013. The cash provided by financing activities during the first six months of 2014 was a result of the $122.2 million in net proceeds that the Company received from the 2014 lease fleet refinancing in January, as discussed above. The cash used in financing activities during the first six months of 2013 was a result of the voluntary early redemption of the remaining $175.0 million of principal on our Notes in March 2013, partially offset by a draw of $100.0 million under our original lease fleet financing facility. Additionally, we paid dividends totaling $17.1 million during the six months ended June 30, 2014, compared to $10.7 million in the same period in 2013.

Capital Expenditures

We continuously evaluate facility requirements based on our strategic plans, production requirements and market demand and may elect to change our level of capital investments in the future. These investments are all based on an analysis of the estimated rates of return and impact on our profitability. We continue to pursue opportunities to reduce our costs through continued vertical integration of component parts. From time to time, we may expand our business by acquiring other businesses or pursuing other strategic growth opportunities including, without limitation, joint ventures.

Capital expenditures for the six months ended June 30, 2014 were $86.5 million for manufacturing railcars for lease to others and $7.5 million for capitalized projects that maintain equipment, improve efficiencies and reduce costs. Our current capital expenditure plans for the remainder of 2014 include projects that we expect will maintain equipment, improve efficiencies, reduce costs, expand our business, and add to our railcar lease fleet. We cannot assure that we will be able to complete any of our projects on a timely basis or within budget, if at all.

Future Liquidity

Our current liquidity consists of our existing cash balance, future cash from operations, and additional borrowings of up to $100.0 million under our existing lease fleet financing facility. Given our strategic emphasis on growing our lease fleet and the capital required to manufacture railcars for lease for which we currently have firm orders, we currently expect to finance additional leased railcars during the second half of 2014. In addition, our longer term cash needs may require additional financing over and above our current liquidity position after considering any additional borrowings we may receive during the second half of 2014. We expect our future cash flows from operations could be impacted by the state of the credit markets and the overall economy, the number of our railcar orders and shipments and our production rates. Our future liquidity may also be impacted by the number of new railcar orders leased versus sold.

Our long-term liquidity is contingent upon future operating performance, Longtrain Leasing's ability to continue to meet its financial covenants under the lease fleet financing and any other indebtedness we may enter into, and the ability to repay or refinance its indebtedness as it becomes due. We may also require additional capital in the future to fund capital expenditures, acquisitions or other investments, including additions to our lease fleet. These capital requirements could be substantial.

Other potential projects, including possible strategic transactions that could complement and expand our business units, will be evaluated to determine if the project or opportunity is right for us. We anticipate that any future expansion of our business will be financed through existing resources, cash flow from operations, term debt associated directly with that project or other new financing. We cannot guarantee that we will be able to meet existing financial covenants or obtain term debt or other new financing on favorable terms, if at all.

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Contractual Obligations and Contingencies

As of June 30, 2014, our outstanding debt under our lease fleet financing increased to $314.3 million from $194.8 million as of December 31, 2013, in connection with the refinancing of the original facility, resulting in increased borrowings, as discussed above. Refer to the status of other contingencies and contractual obligations in Notes 9 - 12 to the condensed consolidated financial statements. Other than the increase in our borrowings under our lease fleet financing facility, our contractual obligations and contingencies did not materially change from the information disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013.

Off-Balance Sheet Arrangements

Other than operating leases, we have no other off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES

The critical accounting policies and estimates used in the preparation of our financial statements that we believe affect our more significant judgments and estimates used in the preparation of our condensed consolidated financial statements presented in this report are described in Management’s Discussion and Analysis of Financial Condition and Results of Operations and in the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K, for the year ended December 31, 2013.

There have been no material changes to the critical accounting policies or estimates that were included in our Annual Report on Form 10-K for the year ended December 31, 2013.

Recent accounting pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 supersedes the revenue recognition requirements in Revenue Recognition (Topic 605), and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The new revenue recognition standard also requires disclosures that sufficiently describe the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period and is to be applied retrospectively, or as a cumulative-effect adjustment as of the date of adoption. We are currently evaluating the new standard, but do not, at this time, anticipate a material impact to the financial statements once implemented.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risks as previously disclosed in Item 7A of our Annual Report on Form 10-K, for the year ended December 31, 2013.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure controls and procedures

Under the supervision and with the participation of our Interim Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), our management evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under 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 Interim Chief Executive Officer and Chief 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 and that such information is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting

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

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PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no material changes with respect to legal proceedings as previously disclosed in Item 3 of our Annual Report on Form 10-K for the year ended December 31, 2013.

ITEM 1A. RISK FACTORS

The following risk factors should be considered carefully in addition to the other information contained in this report and in our Annual Report on Form 10-K for the year ended December 31, 2013. This report contains forward-looking statements that involve risks and uncertainties. See “Special Note Regarding Forward-Looking Statements,” above. Our actual results could differ materially from those contained in the forward-looking statements. Factors that may cause such differences include, but are not limited to, those discussed below, as well as those discussed elsewhere in this report and in our Annual Report on Form 10-K, for the year ended December 31, 2013. Additional risks and uncertainties that management is not aware of or that are currently deemed immaterial may also adversely affect our business operations. If any of the following risks materialize, our business, financial condition and results of operations could be materially adversely affected. We undertake no obligations to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

The highly cyclical nature of the railcar industry may result in lower revenues during economic downturns or due to other factors.

The North American railcar market has been, and we expect it to continue to be, highly cyclical resulting in volatility in demand for our products and services. Sales of our railcars and other products slowed in 2010 resulting in decreased production rates. New orders and shipments of railcars steadily increased in 2011, 2012 and 2013 driven by increased demand for shipment of certain commodities, replacement of older railcars and federal tax benefits from the delivery of railcars in 2011, 2012 and 2013. Though we have seen improvements in certain railcar markets in recent years, these improvements may or may not continue. Potential regulatory changes related to tank railcars in North America may impact future new railcar production rates and orders from our customers, as well as require retrofit and maintenance work to existing railcars. However, we cannot assure you that hopper or tank railcar demand will continue at strong levels, that demand for any railcar types will improve, or that our railcar orders and shipments will track industry-wide trends. Similarly, we cannot assure you of the scope, timing or impact of any potential regulatory changes affecting the North American railcar industry. The cyclical nature of the railcar industry may result in lower revenues during economic or industry downturns due to decreased demand for both new and replacement railcars and railcar products and lower demand for railcars on lease. Decreased demand could result in lower lease volumes, increased downtime, reduced lease rates and decreased cash flow.

Currently, we estimate that approximately 45% of our June 30, 2014 backlog will be shipped during 2014. Our failure to obtain new orders could materially adversely affect our business, financial condition and results of operations. Downturns in part or all of the railcar manufacturing industry may occur in the future, resulting in decreased demand for our products and services. For example, a change in environmental regulations, competitive pricing, pipeline capacity and other factors could trigger a cyclical shift and could reduce demand for railcars in the energy transportation industry. If we fail to manage our overhead costs and variations in production rates, our business could suffer.

Further, a change in our product mix due to cyclical shifts in demand could have an adverse effect on our profitability. We manufacture, lease and repair a variety of railcars. The demand for specific types of these railcars varies from time to time. These shifts in demand could affect our margins and could have an adverse effect on our profitability.

Volatility in the global financial markets may adversely affect our business, financial condition and results of operation.

During periods of volatility in the global financial markets, certain of our customers could delay or otherwise reduce their purchases of railcars and other products and services. If volatile conditions in the global credit markets prevent our customers’ access to credit, product order volumes may decrease or customers may default on payments owed to us. Some of the end users of our railcars that we sell acquire them through leasing arrangements with our leasing company customers. Economic conditions that result in higher interest rates may result in stricter borrowing conditions that could increase the cost of, or potentially deter, new leasing arrangements. These factors may cause our

customers to purchase or lease fewer railcars, which could materially adversely affect our business, financial condition and results of operations.
The railcars in our lease fleet consist of tank railcars and covered hopper railcars. The lessees of such types of railcars have historically been concentrated for use in certain industries and products and our lessees generally reflect such industry concentrations. Consequently, any significant economic downturn in these industries could have a material adverse effect on

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the creditworthiness of the lessees in these industries and on the ability of such lessees to pay rent under the leases, as well as on our ability to re-lease railcars to those lessees, or to other potential lessees with a need for railcars of the types we operate.

If our suppliers face challenges obtaining credit, selling their products, or otherwise operating their businesses, the supply of materials we purchase from them to manufacture our products may be interrupted. Any of these conditions or events could result in reductions in our revenues, increased price competition, or increased operating costs, which could adversely affect our business, financial conditions and results of operations.

We operate in highly competitive industries and we may be unable to compete successfully, which could materially adversely affect our business, financial condition and results of operations.

We face intense competition in all geographic markets and in each area of our business. In our railcar manufacturing business we have five primary competitors. Any of these competitors may, from time to time, have greater resources than we do. Our current competitors may increase their participation in, or new competitors may enter into, the railcar markets in which we compete. Strong competition within the industry has led to pricing pressures and could limit our ability to maintain or increase prices or obtain better margins on our railcars. If we produce any type of railcars other than what we currently produce, we will be competing with other manufacturers that may have more experience with that railcar type. Further, new competitors, or alliances among existing competitors, may emerge in the railcar or industrial components industries and rapidly gain market share. Customer selection of railcars for purchase or for lease may be driven by technological or price factors, and our competitors may provide or be able to provide more technologically advanced railcars or more attractive pricing and/or lease rates than we can provide. Such competitive factors may adversely affect our sales, utilization and/or lease rates, and consequently our revenues.

We also have intense competition in our railcar leasing business from railcar manufacturers, leasing companies, banks and other financial institutions. Some of this competition includes certain of our significant customers, including ARL. Some of our railcar manufacturing competitors also produce railcars for use in their own railcar leasing fleets, competing directly with our railcar leasing business and with leasing companies. In connection with re-leasing of railcars, we may encounter competition from, among other things, other railcars managed by ARL and other competitor railcar leasing companies.

We compete with numerous companies in our railcar services business, ranging from companies with greater resources than we have to smaller companies. In addition, new competitors, or alliances among existing competitors, may emerge, thereby intensifying the existing competition for our railcar services business.

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 could cause us to lose market share. Increased competition for our manufacturing, railcar leasing or railcar services businesses could result in price reductions, reduced margins and loss of market share, which could materially adversely 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 revenues. The loss of any single significant customer, a reduction in sales to any such significant customer or any such significant customer's inability to pay us in a timely manner could materially adversely affect our business, financial condition and results of operations.

Railcars are typically sold pursuant to large, periodic orders, and therefore, a limited number of customers typically represent a significant percentage of our revenue in any given year. For example, our top ten customers represented approximately 81%, 83% and 78% of our total consolidated revenues in 2013, 2012 and 2011, respectively. Moreover, our top three customers accounted for approximately 64%, 67% and 53% of our total consolidated revenues in 2013, 2012 and 2011, respectively. 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 materially adversely affect our business, financial condition and results of operations. If one of our significant customers was unable to pay due to financial condition, it could materially adversely affect our business, financial condition and results of operations.

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

Railcar sales comprised approximately 80%, 80% and 76% of our total consolidated revenues in 2013, 2012 and 2011, respectively. Our results of operations in any particular quarterly period may be significantly affected by the number and type of railcars manufactured and shipped in that period, which is impacted by customer needs that vary greatly year to year. In addition, because revenues and earnings related to leased railcars are recognized over the life of the lease, our quarterly results may vary depending on the mix of lease versus direct sale railcars that we ship during a given period. The customer acceptance and title transfer or customer acceptance and shipment of our railcars determines when we record the revenues associated with

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our railcar sales or leases. Given this, the timing of customer acceptance and title transfer or customer acceptance and shipment of our railcars could cause fluctuations in our quarterly and annual results. The railroads could potentially go on strike or have other service interruptions, which could ultimately create a bottleneck and potentially cause us to slow down or halt our shipment and production schedules, which could materially adversely affect our business, financial condition and results of operations.

As a result of these fluctuations, we believe that comparisons of our sales and operating results between quarterly periods within the same year and between quarterly periods within different years may not be meaningful and, as such, these comparisons should not be relied upon as indicators of our future performance.

If we face labor shortages or increased labor costs, our growth and results of operations could be materially adversely affected.

We depend on skilled labor in our manufacturing and other businesses. Due to the competitive nature of the labor markets in which we operate and the cyclical nature of the railcar industry, the resulting employment cycle increases our risk of not being able to retain, recruit and train the personnel we require, particularly when the economy expands, production rates are high or competition for such skilled labor increases. Our inability to recruit, retain and train adequate numbers of qualified personnel on a timely basis could materially adversely affect our business, financial condition and results of operations.

The cost of raw materials and components that we use in our manufacturing operations, particularly steel, is subject to escalation and surcharges and could increase. Any increase in these costs or delivery delays of these raw materials could materially adversely affect our business, financial condition and results of operations.

The cost of raw materials, including steel, and components used in the production of our railcars, represents more than half of our direct manufacturing costs per railcar. We generally include provisions in our railcar manufacturing orders that allow us to adjust prices as a result of increases and decreases in the cost of most raw materials and components on a dollar for dollar basis. The number of customers to which we are not able to pass on price increases may increase in the future, which could adversely affect our operating margins and cash flows. If we are not able to pass on price increases to our customers, we may lose railcar orders or enter into contracts with less favorable contract terms, any of which could materially adversely affect our business, financial condition and results of operations. Any fluctuations in the price or availability of steel, or any other material or component used in the production of our railcars or our railcar or industrial components, could materially adversely affect our business, financial condition and results of operations. Such price increases could reduce demand for our railcars or component products. Deliveries of raw materials and components may also fluctuate depending on various factors including supply and demand for the raw material or component, or governmental regulation relating to the raw material or component, including regulation relating to importation.

Fluctuations in the supply of components and raw materials we use in manufacturing railcars, which are often only available from a limited number of suppliers, could cause production delays or reductions in the number of railcars we manufacture, which could materially adversely affect our business, financial condition and results of operations.

Our railcar manufacturing business depends on the adequate supply of numerous railcar components, such as railcar wheels, axles, brakes, bearings, yokes, sideframes, bolsters and other heavy castings and raw materials, such as steel. Some of these components and raw materials are only available from a limited number of domestic suppliers. Strong demand can cause industry-wide shortages of many critical components and raw materials as reliable suppliers could reach capacity production levels. Supply constraints in our industry are exacerbated because, although multiple suppliers may produce certain components, railcar manufacturing regulations and the physical capabilities of manufacturing facilities restrict the types and sizes of components and raw materials that manufacturers may use.

U.S., Canadian and railroad industry regulatory authorities are currently considering various proposals concerning tank railcar manufacturing standards. We are unable to predict what regulatory changes may be made in this regard, if any, or the time period during which any such regulatory changes may become effective. However, if new regulations are adopted, they could materially impact the tank railcar manufacturing process industry-wide, which could negatively affect the potential availability of certain critical components and raw materials including, in particular, steel. If we are unable to source critical components and raw materials like steel in a timely manner and at reasonable cost, we may be unable to manufacture railcars that comply with any new regulations and/or to take advantage of any

increase in demand for our products and services as a result of any such new regulations, and our business, financial condition and results of operations could be materially adversely affected.
In addition, we do not carry significant inventories of certain components and procure most of our components on an as needed basis. In the event that our suppliers of railcar components and raw materials were to stop or reduce the production of railcar components and raw materials that we use, or refuse to do business with us for any reason, our business would be disrupted. Our inability to obtain components and raw materials in required quantities or of acceptable quality could result in significant

delays or reductions in railcar shipments and could materially adversely affect our business, financial condition and results of operations.

In 2013, our top three suppliers accounted for approximately 45% of the total materials that we purchased and our top ten suppliers accounted for approximately 69% of the total materials that we purchased. If any of our significant suppliers of railcar components were to shut down operations, our business and financial results could be materially adversely affected as we may incur substantial delays and significant expense in finding alternative sources. The quality and reliability of alternative sources may not be the same and these alternative sources may charge significantly higher prices.

Companies affiliated with Mr. Carl Icahn are important to our business.

We manufacture railcars and railcar components and provide railcar services for companies affiliated with Mr. Carl Icahn, our principal beneficial stockholder through IELP. We are currently subject to agreements, and may enter into additional agreements, with certain of these affiliates that are important to our business. To the extent our relationships with affiliates of Mr. Carl Icahn change due to the sale of his interest in us, such affiliates or otherwise, our business, financial condition and results of operations could be materially adversely affected.

Affiliates of Mr. Carl Icahn accounted for approximately 36%, 18% and 5% of our consolidated revenues in 2013, 2012 and 2011, respectively, and 34% of our consolidated revenues during the six months ended June 30, 2014. This revenue is primarily attributable to sale of railcars to ARL and AEP, which currently purchase all of their railcars from us, but are not required to do so in the future. This revenue is also attributable to railcar repairs and services provided to ARL, which are done on an ad hoc basis. Further, ARI is not the only provider of railcar repairs and services to ARL. This revenue is also generated from a purchasing and engineering services agreement and license with ACF, under which we provide purchasing support and engineering services to ACF in connection with ACF’s manufacture and sale of certain tank railcars at its facility. To the extent our relationships with ARL, ACF or Mr. Carl Icahn change, our business, financial condition and results of operations could be materially adversely affected.

We operate our leasing business under lease management agreements with ARL through which ARL markets our railcars for sale or lease and acts as our manager to lease railcars on our behalf for a fee. ARL also leases railcars and therefore markets our railcars and their own railcars to the same customer base. Consequently, we compete directly with ARL in our leasing business, and ARL may provide a potential customer with better terms than we may offer.

Mr. Carl Icahn exerts significant influence over us and his interests may conflict with the interests of our other stockholders.

Mr. Carl Icahn controls approximately 56% of the voting power of our common stock, through IELP, and is able to control or exert substantial influence over us, including the election of our directors and controlling most matters requiring board or stockholder approval, including business strategies, mergers, business combinations, acquisitions or dispositions of significant assets, issuances of common stock, incurrence of debt or other financing and the payment of dividends. The existence of a controlling stockholder may have the effect of making it difficult for, or may discourage or delay, a third party from seeking to acquire a majority of our outstanding common stock, which could adversely affect the market price of our stock.

Mr. Carl Icahn owns, controls and has an interest in a wide array of companies, some of which, such as ARL, AEP and ACF as described above, may compete directly or indirectly with us. As a result, his interests may not always be consistent with our interests or the interests of our other stockholders. For example, ARL competes directly with some of our customers and with us in the railcar leasing business. ACF has also previously manufactured railcars for us and under a purchasing and engineering services agreement and license is manufacturing and selling tank railcars with engineering, purchasing and design support from us. Mr. Carl Icahn and entities controlled by him may also pursue acquisitions or business opportunities that may be complementary to our business. Our articles of incorporation allow Mr. Carl Icahn, entities controlled by him, and any director, officer, member, partner, stockholder or employee of Mr. Carl Icahn or entities controlled by him, to take advantage of such corporate opportunities without first presenting such opportunities to us, unless such opportunities are expressly offered to any such party solely in, and as a direct result of, his or her capacity as our director, officer or employee. As a result, corporate opportunities that may benefit us may not be available to us in a timely manner, or at all. To the extent that conflicts of interest may arise among us, Mr. Carl Icahn and his affiliates, those conflicts may be resolved in a manner adverse to us or you.

We may be unable to re-market railcars from expiring leases on favorable terms, which could adversely affect our business, financial condition and results of operations.

The failure to enter into commercially favorable railcar leases, re-lease or sell railcars upon lease expiration and successfully manage existing leases could have a material adverse effect on our business, financial condition and results of operations. Our

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ability to re-lease or sell leased railcars profitably is dependent upon several factors, including the cost of and demand for leases or ownership of newer or specific use models, and the availability in the market of other used or new railcars.

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

Our investment in our lease fleet may use significant amounts of cash, which may require us to secure additional capital and we may be unable to arrange capital on favorable terms, or at all.

We utilize existing cash and cash generated through lease fleet financings to manufacture railcars we lease to customers, while cash from lease revenues will be received over the term of the lease or leases relating to those railcars. Depending upon the number of railcars that we lease and the amount of cash used in other operations, our cash balances and our availability under any of our lease fleet financings could be depleted, requiring us to seek additional capital. Our inability to secure additional capital, on commercially reasonable terms, or at all, may limit our ability to support operations, maintain or expand our existing business, or take advantage of new business opportunities. We could also experience defaults on leases that could further constrain cash.

Train derailments or other accidents involving our products could subject us to legal claims and/or result in regulatory changes that may adversely impact our business, financial condition and results of operations.

We manufacture railcars for our customers to transport a variety of commodities, including railcars that transport hazardous materials such as crude oil and other petroleum products. We also manufacture railcar components as well as industrial components for use in several markets, including the trucking, construction, mining and oil and gas exploration markets. We could be subject to various legal claims, including claims for negligence, personal injury, physical damage and product liability, as well as potential penalties and liability under environmental laws and regulations, in the event of a train derailment or other accident involving our products or services. If we become subject to any such claims and are unable successfully to resolve them, our business, financial condition and results of operations could be materially adversely affected.

Recent derailments in North America of trains transporting crude oil have caused various U.S and Canadian regulatory agencies, industry organizations, as well as community governments, to focus attention on transportation by rail of flammable materials. For example, in April 2014, Transport Canada ("TC"), a federal department of the Canadian government that regulates rail transportation and safety within Canada, issued a protective order mandating that tank railcars with certain specifications must no longer transport certain designated dangerous goods, including certain flammable liquids, within Canada. In addition, in July 2014, TC proposed regulations that would impose stricter safety standards for certain newly manufactured tank railcars operating in Canada. Similarly, in July 2014, the Pipeline and Hazardous Materials Safety Administration (PHMSA) issued proposed regulations that could affect federal tank railcar design and construction standards for new tank railcars used to transport crude oil and other flammable products.

We are unable to predict what regulatory changes may be made in light of these or other proposals, if any, or the time period during which any such regulatory changes may become effective. Any final rules may or may not materially impact the rail industry as a whole; railroad operations; older and newer railcars that meet or exceed currently mandated standards; future railcar specifications; and the capability of the North American railcar manufacturing, repair and maintenance infrastructure to implement mandated retrofit configurations or new construction. Further, the potential impact on the railcars and components we manufacture, as well as railcars that we lease, is not known at this time. As a result of such proposed regulations, certain of our railcars could be deemed unfit for further commercial use (which would diminish or eliminate future revenue generated from leased railcars) and/or require retrofits or modifications. The costs associated with any required retrofits or modifications could be substantial. While certain regulatory changes could result in increased demand for refurbishment and/or new railcar manufacturing activity, if we are unable to adapt our business to changing regulations, and/or take advantage of any increase in demand for our products and services, our business, financial condition and results of operations could be materially adversely affected. We cannot assure that costs incurred to comply with any new standards and regulations, including any emerging from PHMSA’s or TC’s rulemaking processes, will not be material to our business, financial condition or results of operations.

Increasing insurance claims and expenses could lower profitability and increase business risk.

The nature of our business subjects us to product liability, property damage, and personal injury claims, especially in connection with the manufacture, repair or other servicing of products or components that are used in the transport or handling of hazardous, toxic, or volatile materials. We maintain reserves for reasonably estimable liability claims and liability insurance coverage at levels based upon commercial norms in the industries in which we operate and our historical claims experience.

Over the last several years, insurance carriers have raised premiums for many companies operating in our industries. Increased insurance premiums may further increase our insurance expense as coverages expire or cause us to raise our self-insured retention. If the number or severity of claims within our self-insured retention increases, we could suffer costs in excess of our reserves. An unusually large liability claim or a series of claims based on a failure repeated throughout our mass production process may exceed our insurance coverage or result in direct damages if we were unable or elected not to insure against certain hazards because of high premiums or other reasons. In addition, the availability of, and our ability to collect on, insurance coverage is often subject to factors beyond our control. Moreover, any accident or incident involving us, even if we are fully insured or not held to be liable, could negatively affect our reputation among customers and the public, thereby making it more difficult for us to compete effectively, and could materially adversely affect the cost and availability of insurance in the future.

Litigation claims could increase our costs and weaken our financial condition.

We are currently, and may from time to time be, involved in various claims or legal proceedings arising out of our operations. In particular, railcars we manufacture and lease will be utilized in a variety of manners, which may include carrying hazardous, flammable, and/or corrosive materials. Such railcars, as well as our railcar and industrial components, will, therefore, be subject to risks of breakdowns, malfunctions, casualty and other negative events and it is possible that claims for personal injury, loss of life, property damage, business losses and other liability arising out of these or other types of incidents will be made against us. Adverse outcomes in some or all of these matters could result in judgments against us for significant monetary damages that could increase our costs and weaken our financial condition. We seek contractual recourse and indemnification in the ordinary course of business, maintain reserves for reasonably estimable liability, and purchase liability insurance at coverage levels based upon commercial norms in our industries in an effort to mitigate our liability exposures. Nevertheless, our reserves may be inadequate to cover the uninsured portion of claims or judgments. Any such claims or judgments could materially adversely affect our business, financial condition and results of operations. The nature of our businesses and assets expose us to the potential for claims and litigation related to personal injury and property damage, environmental claims, regulatory claims and various other matters.

The success of our leasing business is dependent, in part, on our lessees performing their obligations.

The ability of each lessee to perform its obligations under a lease will depend primarily on such lessee’s financial condition. The financial condition of a lessee may be affected by various factors beyond our control, including competition, operating costs, general economic conditions and environmental and other governmental regulation of or affecting the lessee’s industry. High default rates on leases could increase the portion of railcars that may need to be remarketed after repossession from defaulting lessees. There can be no assurance that the historical default experience with respect to our lease fleet will continue in the future.

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

We define backlog as the number of railcars to which our customers have committed in writing to purchase or lease from us that have not been shipped. The estimated backlog value in dollars is the anticipated revenue on the railcars included in the backlog for purchase and the estimated fair market value of the railcars included in the backlog for lease, though actual revenues for these leases are recognized pursuant to the terms of each lease. Our competitors may not define railcar backlog in the same manner as we do, which could make comparisons of our railcar backlog with theirs misleading. Customer orders may be subject to requests for delays in deliveries, inspection rights and other customary industry terms and conditions, which could prevent or delay our railcar backlog from being converted into revenues. Our reported railcar backlog may not be converted into revenues in any particular period, if at all, and the actual revenues from such sales may not equal our reported estimates of railcar backlog value.

Our failure to comply with laws and regulations imposed by federal, state, local and foreign agencies could materially adversely affect our business, financial condition, results of operations and ability to access capital.

The industries in which we operate are subject to extensive regulation by governmental, regulatory and industry authorities and by federal, state, local and foreign agencies. The risks of substantial costs and liabilities related to compliance with these laws and regulations are an inherent part of our business. Despite our intention to comply with these laws and regulations, we cannot guarantee that we will be able to do so at all times and compliance may prove to be more costly and limiting than we currently anticipate and could increase in future years. These laws and regulations are complex, change frequently and may become more stringent over time, which could impact our business, financial condition, results of operations and ability to access capital. If we fail to comply with the requirements and regulations of these agencies that impact our manufacturing, other processes and reporting requirements, we may face sanctions and penalties that could materially adversely affect our business, financial condition, results of operations and ability to access capital.

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Uncertainty surrounding acceptance of our new product offerings by our customers, and costs associated with those new offerings, could materially adversely affect our business.

Our strategy depends in part on our continued development and sale of new products, particularly new railcar designs, in order to expand or maintain our market share in our current and new markets. Any new or modified product design that we develop may not gain widespread acceptance in the marketplace and any such product may not be able to compete successfully with existing or new product designs that may be introduced by our competitors. Furthermore, we may experience significant initial costs of production of new products, particularly railcar products, related to training, labor and operating inefficiencies. To the extent that the total costs of production significantly exceed our anticipated costs of production, we may incur losses on the sale of any new products.

Equipment failures, delays in deliveries or extensive damage to our facilities, particularly our railcar manufacturing plants in Paragould or Marmaduke, Arkansas, could lead to production or service curtailments or shutdowns.

An interruption in manufacturing capabilities at our railcar plants in Paragould or Marmaduke or at any of our manufacturing facilities, whether as a result of equipment failure or any other reason, could reduce, prevent or delay production of our railcars or railcar and industrial components, which could alter the scheduled delivery dates to our customers and affect our production schedule. This could result in the termination of orders, the loss of future sales and a negative impact to our reputation with our customers and in the railcar industry, all of which could materially adversely affect our business, financial condition and results of operations.

All of our facilities and equipment are subject to the risk of catastrophic loss due to unanticipated events, such as fires, earthquakes, explosions, floods, tornados or weather conditions. If there is a natural disaster or other serious disruption at any of our facilities, we may experience plant shutdowns or periods of reduced production as a result of equipment failures, loss of power, delays in equipment deliveries, or extensive damage to any of our facilities, which could materially adversely affect our business, financial condition or results of operations.

Our mobile units and mini-shop repair facilities may expose us to additional risks that may materially adversely affect our business.

Our mobile units and mini-shop repair facilities are available to assist customers in quickly resolving railcar maintenance issues and services may be performed on a customer's property, thereby increasing our susceptibility to liability. Additionally, the resources available to employees to assist in providing services out of these facilities are less than what is available at a full repair facility. The effects of these risks may, individually or in the aggregate, materially adversely affect our business, financial condition and results of operations.

Our failure to complete capital expenditure projects on time and within budget, or the failure of these projects, once constructed, to operate as anticipated could materially adversely affect our business, financial condition and results of operations.

Construction plans we may have from time to time are subject to a number of risks and contingencies over which we may have little control and that may adversely affect the cost and timing of the completion of those projects, or the capacity or efficiencies of those projects once constructed. If these capital expenditure projects do not achieve the results anticipated, we may not be able to satisfy our operational goals on a timely basis, if at all. If we are unable to complete the construction of any of such capital expenditure projects on time or within budget, or if those projects do not achieve the capacity or efficiencies anticipated, our business, financial condition and results of operations could be materially adversely affected.

Our relationships with our joint ventures could be unsuccessful, which could materially adversely affect our business.

We have entered into joint venture agreements with other companies to increase our sourcing alternatives and reduce costs. We may seek to expand our relationships or enter into new agreements with other companies. If our joint venture partners are unable to fulfill their contractual obligations or if these relationships are otherwise not successful in the future, our manufacturing costs could increase, we could encounter production disruptions, growth opportunities could fail to materialize, or we could be required to fund such joint ventures in amounts significantly greater than initially anticipated, any of which could materially adversely affect our business, financial condition and results of operations.

If any of our joint ventures generate significant losses, it could adversely affect our results of operations. For example, if our Axis joint venture is unable to operate as anticipated, incurs significant losses or otherwise is unable to honor its obligation to us under the Axis loan, our financial results or financial position could be materially adversely affected.

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We may pursue new joint ventures, acquisitions or new business endeavors that involve inherent risks, any of which may cause us not to realize anticipated benefits and we may have difficulty integrating the operations of any joint ventures that we form, companies that we acquire or new business endeavors, which could materially adversely affect our results of operations.

We may not be able to successfully identify suitable joint venture, acquisition or new business endeavor opportunities or complete any particular joint venture, acquisition, business combination, other transaction or new business endeavors on acceptable terms. Our identification of suitable joint venture opportunities, acquisition candidates and new business endeavors and the integration of new and acquired business operations involve risks inherent in assessing the values, strengths, weaknesses, risks and profitability of these opportunities. This includes their effects on our business, diversion of our management's attention and risks associated with unanticipated problems or unforeseen liabilities. These issues may require significant financial resources that could otherwise be used for the ongoing development of our current operations.

The difficulties of integration may be increased by the necessity of coordinating geographically dispersed organizations, integrating personnel with disparate business backgrounds and combining different corporate cultures. These difficulties could be further increased to the extent we pursue opportunities internationally or in new markets where we do not have significant experience. In addition, we may not be effective in retaining key employees or customers of the combined businesses. We may face integration issues pertaining to the internal controls and operations functions of the acquired companies and we may not realize cost efficiencies or synergies that we anticipated when selecting our acquisition candidates. In addition, we may experience managerial or other conflicts with our joint venture partners. Any of these items could adversely affect our results of operations.

Our failure to identify suitable joint venture, acquisition opportunities or new business endeavors may restrict our ability to grow our business. If we are successful in pursuing such opportunities, we may be required to expend significant funds, incur additional debt or issue additional securities, which could materially adversely affect our results of operations and be dilutive to our stockholders. If we spend significant funds or incur additional debt, our ability to obtain financing for working capital or other purposes could decline and we may be more vulnerable to economic downturns and competitive pressures.

Risks related to our activities or potential activities outside of the U.S. and any potential expansion into new geographic markets could adversely affect our results of operations.

Conducting business outside the U.S. subjects us to various risks, including changing economic, legal and political conditions, work stoppages, exchange controls, currency fluctuations, terrorist activities directed at U.S. companies, armed conflicts and unexpected changes in the U.S. and the laws of other countries relating to tariffs, trade restrictions, transportation regulations, foreign investments and taxation. Some foreign countries in which we operate have regulatory authorities that regulate railroad safety, railcar design and railcar component part design, performance and manufacturing.

In addition, changes in regulatory requirements, tariffs and other trade barriers, more stringent rules relating to labor or the environment, adverse tax consequences and price exchange controls could make the manufacturing and distribution of our products internationally more difficult. The failure to comply with laws governing international business practices may result in substantial penalties and fines. Any international expansion or acquisition that we undertake could heighten these risks related to operating outside of the U.S.

We are subject to a variety of environmental, health and safety laws and regulations and the cost of complying, or our failure to comply, with such requirements could materially adversely affect our business, financial condition, results of operations.

We are subject to a variety of federal, state and local 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 public and employee health, safety and the environment. These laws and regulations expose us to liability for the environmental condition of our current or formerly owned or operated facilities, and may expose us to liability for the conduct of others or for our actions that complied with all applicable laws at the time these actions were taken. They may also expose us to liability for claims of personal injury or property damage related to alleged exposure to hazardous or toxic materials. Despite our

intention to be in compliance, we cannot guarantee that we will at all times comply with such requirements. The cost of complying with these requirements may also increase substantially in future years. If we violate or fail to comply with these requirements, 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 materially adversely affect our business, financial condition and results of operations.
Our failure to maintain and comply with environmental permits that we are required to maintain could result in fines, penalties or other sanctions and could materially adversely affect our business, financial condition and results of operations. Future

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events, such as new environmental regulations, changes in or modified interpretations of existing laws and regulations or enforcement policies, newly discovered information 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 materially adversely affect our business, financial condition and results of operations.

If we lose any of our executive officers or key employees, our operations and ability to manage the day-to-day aspects of our business could be materially adversely affected.

Our future performance will substantially depend on our ability to retain and motivate our executive officers and key employees, both individually and as a group. If we lose any of our executive officers or key employees, who have many years of experience with our company and within the railcar industry and other manufacturing industries, or are unable to recruit qualified personnel, our ability to manage the day-to-day aspects of our business could be materially adversely affected. The loss of the services of one or more of our executive officers or key employees, who also have strong personal ties with customers and suppliers, could materially adversely affect our business, financial condition and results of operations. We do not currently maintain “key person” life insurance. Further, we do not have employment contracts with all of our executive officers and key employees.

Our implementation of new enterprise resource planning (ERP) systems could result in problems that could negatively impact our business.

We are currently designing and implementing an ERP system that supports substantially all of our operating and financial functions. We could experience problems in connection with such implementation, including compatibility issues, training requirements, higher than expected implementation costs and other integration challenges and delays. A significant implementation problem, if encountered, could negatively impact our business by disrupting our operations. Additionally, a significant problem with the implementation, integration with other systems or ongoing management of an ERP system and related systems could have an adverse effect on our ability to generate and interpret accurate management and financial reports and other information on a timely basis, which could have a material adverse effect on our financial reporting system and internal controls and adversely affect our ability to manage our business or comply with various regulations.

Some of our railcar services and component manufacturing employees belong to labor unions and strikes or work stoppages by them or unions formed by some or all of our other employees in the future could materially adversely affect our operations.

As of December 31, 2013, the employees at our sites covered by collective bargaining agreements represent, in the aggregate, approximately 13% of our total workforce. Disputes with regard to the terms of these agreements or our potential inability to negotiate acceptable contracts with these unions in the future could result in, among other things, strikes, work stoppages or other slowdowns by the affected workers. We cannot guarantee that our relations with our union workforce will remain positive nor can we guarantee that union organizers will not be successful in future attempts to organize our railcar manufacturing employees or employees at our other facilities. If our workers were to engage in a strike, work stoppage or other slowdown, other employees were to become unionized or the terms and conditions in future labor agreements were renegotiated, we could experience a significant disruption of our operations and higher ongoing labor costs. In addition, we could face higher labor costs in the future as a result of severance or other charges associated with layoffs, shutdowns or reductions in the size and scope of our operations.

Our manufacturer’s warranties expose us to potentially significant claims and our business could be harmed if our products contain undetected defects or do not meet applicable specifications.

We may be subject to significant warranty claims in the future relating to workmanship and materials involving our current or future railcar or component product designs. Such claims may include multiple claims based on one defect repeated throughout our mass production process or claims for which the cost of repairing the defective component is highly disproportionate to the original cost of the part. These types of warranty claims could result in costly product recalls, significant repair costs and damage to our reputation, which could materially adversely affect our business, financial condition and results of operations. Unresolved warranty claims could result in users of our products bringing legal actions against us.

Further, if our railcars or component products are defectively designed or manufactured, are subject to recall for performance or safety-related issues, contain defective components or are misused, we may become subject to costly litigation by our customers or others who may claim to be harmed by our products. Product liability claims could divert management’s attention from our business, be expensive to defend and/or settle and result in sizable damage awards against us.

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Our indebtedness could materially adversely affect our business, financial condition and results of operations and prevent us from fulfilling our indebtedness obligations.

As of June 30, 2014, our total debt was $314.3 million, consisting solely of borrowings under our lease fleet financing senior secured term loan facility.

Our indebtedness could materially adversely affect our business, financial condition and results of operations. For example, it could:

- increase our vulnerability to general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments of our indebtedness, which would reduce the availability of our cash flow to fund working capital, capital expenditures, expansion efforts and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit, among other things, our ability to borrow additional funds for working capital, capital expenditures, general corporate purposes or acquisitions.

Our inability to comply with covenants in place or our inability to make the required principal and interest payments may cause an event of default, which could have a substantial adverse impact to our business, financial condition and results of operation. In the event of a default on our lease fleet financing, the lenders may foreclose on all or a portion of the fleet of railcars and related leases used to secure the financing, which are owned by Longtrain Leasing I, LLC (Longtrain), our wholly-owned leasing subsidiary. Such foreclosure, if a significant number of railcars or related leases are affected, could result in the loss of a significant amount of ARI’s assets and adversely affect revenues.

We are exposed to the risk of increasing interest rates as our lease fleet financing is at a variable interest rate. Any material changes in interest rates could result in higher interest expense and related payments for us.

Despite our indebtedness, we may still be able to incur substantially more debt, as may our subsidiaries, which could further exacerbate the risks associated with our indebtedness.

Despite our indebtedness, we may be able to incur future indebtedness, including secured indebtedness, and this debt could be substantial. If new debt is added to our, or our subsidiaries’ current debt levels, the related risks that we or they now face could be magnified.

We may not be able to generate sufficient cash flow to service our obligations and we may not be able to refinance our indebtedness on commercially reasonable terms.

Our ability to make payments on and to refinance our indebtedness and to fund planned capital expenditures, strategic transactions, joint venture capital requirements or expansion efforts will depend on our ability to generate cash in the future. This, to a certain extent, is subject to economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

Our business may not be able to generate sufficient cash flow from operations and there can be no assurance that future borrowings will be available to us in amounts sufficient to enable us to pay our indebtedness as such indebtedness matures and to fund our other liquidity needs. If this is the case, we will need to refinance all or a portion of our indebtedness on or before maturity, and we cannot be certain that we will be able to refinance any of our indebtedness on commercially reasonable terms, or at all. We might have to adopt one or more alternatives, such as reducing or delaying planned expenses and capital expenditures, selling assets, restructuring debt, or obtaining additional equity or debt financing. These financing strategies may not be implemented on satisfactory terms, if at all. Our ability to refinance our indebtedness or obtain additional financing and to do so on commercially reasonable terms will depend on our financial condition at the time, restrictions in any agreements governing our indebtedness and other factors, including the condition of the financial markets and the railcar industry.

If we do not generate sufficient cash flow from operations and additional borrowings and refinancings or proceeds of asset sales are not available to us, we may not have sufficient cash to enable us to meet all of our obligations.

If ACF does not, or is unable to, honor its remedial or indemnity obligations to us regarding environmental matters, such environmental matters could materially adversely affect our business, financial condition and results of operations.

Certain real property we acquired from ACF in 1994 had been involved in investigation and remediation activities to address contamination both before and after their transfer to ARI. ACF is an affiliate of Mr. Carl Icahn, our principal beneficial

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stockholder through IELP. Substantially all of the issues identified with respect to these properties relate to the use of these properties prior to their transfer to us by ACF and for which ACF has retained liability for environmental contamination that may have existed at the time of transfer to us. ACF has also agreed to indemnify us for any cost that might be incurred with those existing issues. As of the date of this report, it is our understanding that no further investigation or remediation is required at these properties and we do not believe we will incur material costs in connection with such activities, but we cannot assure that this will be the case. If ACF fails to honor its obligations to us, we could be responsible for the cost of any additional investigation or remediation activities relating to these properties, that may be required. These additional costs could be material or could interfere with the operation of our business. Any environmental liabilities we may incur that are not covered by adequate insurance or indemnification will also increase our costs and have a negative impact on our profitability.

If we are unable to protect our intellectual property and prevent its improper use by third parties, our ability to compete in the market may be harmed.

Various patent, copyright, trade secret and trademark laws afford only limited protection and may not prevent our competitors from duplicating our products or gaining access to our proprietary information and technology. These means also may not permit us to gain or maintain a competitive advantage. To the extent we expand internationally, we become subject to the risk that foreign intellectual property laws will not protect our intellectual property rights to the same extent as intellectual property laws in the U.S.

Any of our patents may be challenged, invalidated, circumvented or rendered unenforceable. We cannot guarantee that we will be successful should one or more of our patents be challenged for any reason. If our patent claims are rendered invalid or unenforceable, or narrowed in scope, the patent coverage afforded our products could be impaired, which could significantly impede our ability to market our products, negatively affect our competitive position and could materially adversely affect our business, financial condition and results of operations.

Our pending or future patent applications may not result in an issued patent and, if patents are issued to us, such patents may not provide meaningful protection against competitors or against competitive technologies. The United States federal courts may invalidate our patents or find them unenforceable. Competitors may also be able to design around our patents. Other parties may develop and obtain patent protection for more effective technologies, designs or methods. If these developments were to occur, it could have an adverse effect on our sales. If our intellectual property rights are not adequately protected we may not be able to commercialize our technologies, products or services and our competitors could commercialize our technologies, which could result in a decrease in our sales and market share and could materially adversely affect our business, financial condition and results of operations.

Our products could infringe the intellectual property rights of others, which may lead to litigation that could itself be costly, result in the payment of substantial damages or royalties, and prevent us from using technology that is essential to our products.

We cannot guarantee that our products, manufacturing processes or other methods do not infringe the patents or other intellectual property rights of third parties. Infringement and other intellectual property claims and proceedings brought against us, whether successful or not, could result in substantial costs and harm our reputation. Such claims and proceedings can also distract and divert our management and key personnel from other tasks important to the success of our business. In addition, intellectual property litigation or claims could force us to do one or more of the following:

- cease selling or using any of our products that incorporate the asserted intellectual property, which would adversely affect our revenues;
- pay substantial damages for past use of the asserted intellectual property;
- obtain a license from the holder of the asserted intellectual property, which license may not be available on reasonable terms, if at all; and
- redesign or rename, in the case of trademark claims, our products to avoid infringing the intellectual property rights of third parties, which may be costly and time-consuming, even if possible.

In the event of an adverse determination in an intellectual property suit or proceeding, or our failure to license essential technology, our sales could be harmed and our costs could increase, which could materially adversely affect our business, financial condition and results of operations.

Our investment activities are subject to risks that could materially adversely affect our results of operations, liquidity and financial condition.

From time to time, we may invest in marketable securities, or derivatives thereof, including higher risk equity securities and high yield debt instruments. These securities are subject to general credit, liquidity, market risks and interest rate fluctuations that have affected various sectors of the financial markets and in the past have caused overall tightening of the credit markets and declines in the stock markets. The market risks associated with any investments we may make could materially adversely affect our business, financial condition, results of operations and liquidity.

Our investments at any given time also may become highly concentrated within a particular company, industry, asset category, trading style or financial or economic market. In that event, our investment portfolio will be more susceptible to fluctuations in value resulting from adverse economic conditions affecting the performance of that particular company, industry, asset category, trading style or economic market than a less concentrated portfolio would be. As a result, our investment portfolio could become concentrated and its aggregate return may be volatile and may be affected substantially by the performance of only one or a few holdings. For reasons not necessarily attributable to any of the risks set forth in this report (for example, supply/demand imbalances or other market forces), the prices of the securities in which we invest may decline substantially.

Changes in assumptions or investment performance related to pension and other postretirement benefit plans that we sponsor could materially adversely affect our financial condition and results of operations.

We are responsible for making funding contributions to two frozen pension plans and are liable for any unfunded liabilities that may exist should the plans be terminated. Our liability and resulting costs for these plans may increase or decrease based upon a number of factors, including actuarial assumptions used, the discount rate used in calculating the present value of future liabilities, and investment performance, which could materially adversely affect our financial condition and results of operations. There is no assurance that interest rates will remain constant or that our pension fund assets can earn the expected rate of return, and our actual experience may be significantly different. Our pension expenses and funding may also be greater than we currently anticipate if our assumptions regarding plan earnings and expenses turn out to be incorrect.

We provide certain postretirement life insurance benefits for certain of our union employees who retire after attaining specified age and service requirements. Our postretirement benefit obligations and related expense with respect to these postretirement benefits also increase or decrease based on several factors and could similarly materially adversely affect our financial condition and results of operations due to changes in these factors.

We may be required to reduce the value of our inventory, long-lived assets and/or goodwill, which could materially adversely affect our business, financial condition and results of operations.

We may be required to reduce inventory carrying values using the lower of cost or market approach in the future due to a decline in market conditions in the industries in which we operate, which could materially adversely affect our business, financial condition and results of operations. Future events could cause us to conclude that impairment indicators exist and that goodwill associated with our acquired businesses is impaired. Any resulting impairment loss related to reductions in the value of our inventory, long-lived assets or our goodwill could materially adversely affect our business, financial condition and results of operations.

We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the long-lived assets may not be recoverable. No triggering events occurred in 2013, or during the six months ended June 30, 2014, to cause concern that our long-lived assets or goodwill would be impaired. We perform an annual goodwill impairment test as of March 1 of each year. As discussed in Note 6 of our consolidated financial statements, no goodwill impairment loss was noted in 2014. Assumptions used in our impairment tests regarding future operating results of our reporting units could prove to be inaccurate. This could cause an adverse change in our valuation and thus any of our long-lived assets or goodwill impairment tests may have been flawed. Any future impairment tests are subject to the same risks.

The use of railcars as a significant mode of transporting freight could decline, become more efficient over time, experience a shift in types of modal transportation, and/or certain railcar types could become obsolete.

As the freight transportation markets we serve continue to evolve and become more efficient, the use of railcars may decline in favor of other more economic modes of transportation. Features and functionality specific to certain railcar types could result in those railcars becoming obsolete as customer requirements for freight delivery change. Our operations may be adversely impacted by changes in the preferred method used by customers to ship their products or changes in demand for particular products. The industries in which our customers operate are driven by dynamic market forces and trends, which are in turn influenced by economic and political factors in the United States and abroad. Demand for our railcars may be significantly affected by changes in the markets in which our customers operate. A significant reduction in customer demand for transportation or manufacture of a particular product or change in the preferred method of transportation used by customers to ship their products could result in the economic obsolescence of our railcars, including those leased by our customers.

The price of our common stock is subject to volatility.

The market price for our common stock has varied between a high closing sales price of $74.93 per share and a low closing sales price of $26.48 per share in the past twenty-four months as of June 30, 2014. This volatility may affect the price at which our common stock could be sold. In addition, the broader stock market has experienced price and volume fluctuations. This volatility has affected the market prices of securities issued by many companies for reasons unrelated to their operating performance and may adversely affect the price of our common stock. The price for our common stock is likely to continue to be volatile and subject to price and volume fluctuations in response to market and other factors, including the other factors discussed in these risk factors.

In the past, following periods of volatility in the market price of their stock, many companies have been the subject of securities class action litigation. If we became involved in securities class action litigation in the future, it could result in substantial costs and diversion of our management's attention and resources and could harm our stock price, business, prospects, financial condition and results of operations.

Various other factors could cause the market price of our common stock to fluctuate substantially, including financial market and general economic changes, changes in governmental regulation, significant railcar industry announcements or developments, the introduction of new products or technologies by us or our competitors, and changes in other conditions or trends in our industry or in the markets of any of our significant customers.

Other factors that could cause our stock's price to fluctuate could be actual or anticipated variations in our or our competitors' quarterly or annual financial results, financial results failing to meet expectations of analysts or investors, including the level of our backlog and number of orders received during the period, changes in securities analysts' estimates of our future performance or of that of our competitors and the general health and outlook of our industry.

Our stock price may decline due to sales of shares beneficially owned by Mr. Carl Icahn through IELP.

Sales of substantial amounts of our common stock, or the perception that these sales may occur, may materially adversely affect the price of our common stock and impede our ability to raise capital through the issuance of equity securities in the future. Of our outstanding shares of common stock, 55.7% are beneficially owned by Mr. Carl Icahn, our principal beneficial stockholder through IELP.

Certain stockholders are contractually entitled, subject to certain exceptions, to exercise their demand registration rights to register their shares under the Securities Act of 1933. If this right is exercised, holders of any of our common stock subject to these agreements will be entitled to participate in such registration. By exercising their registration rights, and selling a large number of shares, these holders could cause the price of our common stock to decline. Approximately 11.6 million shares of common stock are covered by such registration rights.

We are a "controlled company" within the meaning of the NASDAQ Global Select Market rules and therefore we are not subject to all of the NASDAQ Global Select Market corporate governance requirements.

As we are a "controlled company" within the meaning of the corporate governance standards of the NASDAQ Global Select Market, we have elected, as permitted by those rules, not to comply with certain corporate governance requirements. For example, our board of directors does not have a majority of independent directors and we do not have a nominating committee or compensation committee consisting of independent directors. As a result, our officers' compensation is not determined by our independent directors, and director nominees are not selected or recommended by a majority of independent directors.

Payments of cash dividends on our common stock may be made only at the discretion of our board of directors and may be restricted by North Dakota law.

Any decision to pay dividends will be at the discretion of our board of directors and will depend upon our operating results, strategic plans, capital requirements, financial condition, provisions of our borrowing arrangements and other factors our board of directors considers relevant. Furthermore, North Dakota law imposes restrictions on our ability to pay dividends. Accordingly, we may not be able to continue to pay dividends in any given amount in the future, or at all.

We are governed by the North Dakota Publicly Traded Corporations Act. Interpretation and application of this act is scarce and such lack of predictability could be detrimental to our stockholders.

The North Dakota Publicly Traded Corporations Act, which we are governed by, was only recently enacted and, to our knowledge, no other companies are yet subject to its provisions and interpretations of its likely application are scarce. Although the North Dakota Publicly Traded Corporations Act specifically provides that its provisions must be liberally construed to

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protect and enhance the rights of stockholders in publicly traded corporations, this lack of predictability could be detrimental to our stockholders.

Our information technology and other systems are subject to cyber security risk including misappropriation of customer information or 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, including intellectual property, personal information, our proprietary business information and that of our customers, suppliers and business partners, and personally identifiable information of our customers and employees in our data centers and on our networks. Our information and processes are exposed to the ever-changing threat of compromised security, in the form of a risk of potential breach, system failure, computer virus, or unauthorized or fraudulent use by customers, company employees, or employees of third party vendors. The steps we take to deter and mitigate these risks may not be successful. Any compromise of our data security and access, public disclosure, or loss of personal or confidential business information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties, disrupt our operations, damage our reputation and customers' willingness to transact business with us, and subject us to additional costs and liabilities that could adversely affect our business.

Terrorist attacks could negatively impact our operations and profitability and may expose us to liability.

Terrorist attacks may negatively affect our operations. Such attacks in the past have caused uncertainty in the world financial markets and economic instability in the United States and elsewhere, and further acts of terrorism, violence or war could similarly affect world financial markets and trade, as well as the industries in which we and our customers operate. In addition, terrorist attacks or hostilities may directly impact our physical facilities or those of our suppliers or customers, which could adversely impact our operations. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us, or at all.

It is also possible that our products, particularly railcars we produce, could be involved in a terrorist attack. Although the terms of our lease agreements require lessees to indemnify us and others against most damages arising out of the use of the railcars, and we currently carry insurance to potentially offset losses in the event that customer indemnifications prove to be insufficient, we may not be fully protected from liability arising from a terrorist attack that involves our railcars. In addition, any terrorist attack involving any of our railcars may cause reputational damage, or other losses, which could materially and adversely affect our business.

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ITEM 6. EXHIBITS

Exhibit No.	Description of Exhibit
10.1	2014 Management Incentive Plan (incorporated by reference to Exhibit 10.1 to ARI's current report on Form 8-K, filed with the SEC on July 14, 2014)#
31.1	Rule 13a-14(a), 15d-14(a) Certification of the Interim Chief Executive Officer*
31.2	Rule 13a-14(a), 15d-14(a) Certification of the Chief Financial Officer*
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted 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.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Presentation Linkbase Document*
101.DEF	XBRL Taxonomy Definition Linkbase Document*

* Filed herewith
** Furnished herewith
\# Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

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

	AMERICAN RAILCAR INDUSTRIES, INC.
Date: July 31, 2014	By: /s/ Jeffrey S. Hollister Jeffrey S. Hollister, President and Interim Chief Executive Officer
	By: /s/ Dale C. Davies Dale C. Davies, Senior Vice President, Chief Financial Officer and Treasurer

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