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American Railcar Industries, Inc.
Form 10-Q
May 06, 2015
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2015

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 43-1481791
(State of (I.R.S. Employer
Incorporation) Identification No.)

100 Clark Street, St. Charles, Missouri 63301
(Address of principal executive offices) (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 ☒ 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 ☒ 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 ☒

Non-accelerated filer ☐ Smaller Reporting Company ☐

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

The number of shares of the registrant's common stock, \$0.01 par value, outstanding on May 6, 2015 was 21,352,297 shares.

Table of Contents

AMERICAN RAILCAR INDUSTRIES, INC.
INDEX TO FORM 10-Q

Item Number	Page Number
<u>PART I — FINANCIAL INFORMATION</u>	
<u>1. Financial Statements:</u>	
<u>Condensed Consolidated Balance Sheets as of March 31, 2015 (Unaudited) and December 31, 2014</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations (Unaudited) for the Three Months Ended March 31, 2015 and 2014</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Unaudited) for the Three Months Ended March 31, 2015 and 2014</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows (Unaudited) for the Three Months Ended March 31, 2015 and 2014</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>7</u>
<u>2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>21</u>
<u>3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>30</u>
<u>4. Controls and Procedures</u>	<u>30</u>
<u>PART II — OTHER INFORMATION</u>	
<u>1. Legal Proceedings</u>	<u>31</u>
<u>1A. Risk Factors</u>	<u>31</u>
<u>6. Exhibits</u>	<u>45</u>
<u>SIGNATURES</u>	<u>46</u>
Exhibit 31.1	
Exhibit 31.2	
Exhibit 32.1	
EX-101 INSTANCE DOCUMENT	
EX-101 SCHEMA DOCUMENT	
EX-101 CALCULATION LINKBASE DOCUMENT	
EX-101 LABELS LINKBASE DOCUMENT	
EX-101 PRESENTATION LINKBASE DOCUMENT	
EX-101 DEFINITION LINKBASE DOCUMENT	

Table of ContentsAMERICAN RAILCAR INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	March 31, 2015 (unaudited)	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$310,056	\$88,109
Restricted cash	16,972	7,178
Accounts receivable, net	39,735	33,618
Accounts receivable, due from related parties	12,593	33,027
Income taxes receivable	11,607	33,879
Inventories, net	121,623	117,007
Deferred tax assets	6,600	7,688
Prepaid expenses and other current assets	6,164	5,353
Total current assets	525,350	325,859
Property, plant and equipment, net	160,593	160,787
Railcars on leases, net	705,919	663,315
Deferred debt issuance costs, net	5,244	2,148
Goodwill	7,169	7,169
Investments in and loans to joint ventures	29,694	29,168
Other assets	7,587	3,963
Total assets	\$1,441,556	\$1,192,409
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$77,569	\$68,789
Accounts payable, due to related parties	3,304	2,793
Accrued expenses and taxes	19,946	5,208
Accrued compensation	15,759	15,046
Deferred revenue	176	16,723
Short-term debt, including current portion of long-term debt	25,772	110,612
Total current liabilities	142,526	219,171
Long-term debt, net of current portion	595,214	298,342
Deferred tax liability	172,042	168,349
Pension and post-retirement liabilities	8,145	8,544
Other liabilities	2,649	2,587
Total liabilities	920,576	696,993
Stockholders' equity:		
Common stock, \$0.01 par value, 50,000,000 shares authorized, 21,352,297 shares issued and outstanding as of March 31, 2015 and December 31, 2014	213	213
Additional paid-in capital	239,609	239,609
Retained earnings	287,378	260,943
Accumulated other comprehensive loss	(6,220)	(5,349)
Total stockholders' equity	520,980	495,416
Total liabilities and stockholders' equity	\$1,441,556	\$1,192,409

See Notes to the Condensed Consolidated Financial Statements.

Table of ContentsAMERICAN RAILCAR INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts, unaudited)

	Three Months Ended March 31,	
	2015	2014
Revenues:		
Manufacturing (including revenues from affiliates of \$121,196 and \$41,235 for the three months ended March 31, 2015 and 2014, respectively)	\$221,811	\$153,963
Railcar leasing	24,585	11,746
Railcar services (including revenues from affiliates of \$6,380 and \$3,963 for the three months ended March 31, 2015 and 2014, respectively)	17,380	16,406
Total revenues	263,776	182,115
Cost of revenues:		
Manufacturing	(174,534	) (118,365
Railcar leasing	(7,701	) (4,491
Railcar services	(13,845	) (13,365
Total cost of revenues	(196,080	) (136,221
Gross profit	67,696	45,894
Selling, general and administrative	(7,681	) (9,387
Earnings from operations	60,015	36,507
Interest income (including income from related parties of \$557 and \$627 for the three months ended March 31, 2015 and 2014, respectively)	563	641
Interest expense	(4,738	) (1,672
Loss on debt extinguishment	(2,126	) (1,896
Other Income	6	5
Earnings (Loss) from joint ventures	1,797	(601
Earnings before income taxes	55,517	32,984
Income tax expense	(20,541	) (12,214
Net earnings	\$34,976	\$20,770
Net earnings per common share—basic and diluted	\$1.64	\$0.97
Weighted average common shares outstanding—basic and diluted	21,352	21,352
Cash dividends declared per common share	\$0.40	\$0.40
See Notes to the Condensed Consolidated Financial Statements.		

Table of Contents

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

	Three Months Ended March 31,	
	2015	2014
Net earnings	\$34,976	\$20,770
Currency translation	(985	) (459
Postretirement plans	189	55
Comprehensive income	\$34,180	\$20,366
See Notes to the Condensed Consolidated Financial Statements.		

Table of ContentsAMERICAN RAILCAR INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands, unaudited)

	Three Months Ended March 31,		
	2015	2014	
Operating activities:			
Net earnings	\$34,976	\$20,770	
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	10,061	7,683	
Amortization of deferred costs	152	109	
Loss on disposal of property, plant, equipment and leased railcars	—	45	
(Earnings) Losses from joint ventures	(1,797	) 601	
Provision for deferred income taxes	4,717	3,892	
Provision for allowance for doubtful accounts receivable	(16	) 31	
Items related to financing activities:			
Loss on debt extinguishment	2,126	1,896	
Changes in operating assets and liabilities:			
Accounts receivable, net	(6,149	) (40,846)
Accounts receivable, due from related parties	20,391	1,035	
Income taxes receivable	22,272	1,904	
Inventories, net	(4,730	) (15,874)
Prepaid expenses and other current assets	(897	) (5,147)
Accounts payable	8,804	10,423	
Accounts payable, due to related parties	511	507	
Accrued expenses and taxes	(1,077	) 2,679	
Other	(3,770	) 2,883	
Net cash provided by (used in) operating activities	85,574	(7,409)
Investing activities:			
Purchases of property, plant and equipment	(4,972	) (3,585)
Capital expenditures - leased railcars	(48,095	) (43,947)
Proceeds from repayments of loans by joint ventures	1,250	1,125	
Net cash used in investing activities	(51,817	) (46,407)
Financing activities:			
Repayments of long-term debt	(413,275	) (196,527)
Proceeds from long-term debt	625,306	318,682	
Change in interest reserve related to long-term debt	(9,794	) (87)
Payment of common stock dividends	(8,541	) (8,541)
Debt issuance costs	(5,271	) (2,403)
Net cash provided by financing activities	188,425	111,124	
Effect of exchange rate changes on cash and cash equivalents	(235	) (72)
Increase in cash and cash equivalents	221,947	57,236	
Cash and cash equivalents at beginning of period	88,109	97,252	
Cash and cash equivalents at end of period	\$310,056	\$154,488	

See Notes to the Condensed Consolidated Financial Statements.

Table of Contents

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, 2014 has been derived from the audited consolidated balance sheet 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, 2014. 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., Longtrain Leasing I, LLC (LLI), Longtrain Leasing II, LLC (LLII) and Longtrain Leasing III, LLC (LLIII). 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.

In February 2015, the FASB issued ASU No. 2015-02, which amends FASB ASU Topic 810, Consolidations. This ASU amends the current consolidation guidance, including introducing a separate consolidation analysis specific to limited partnerships and other similar entities. This ASU requires that limited partnerships and similar legal entities provide partners with either substantive substantive kick-out rights or substantive participating rights over the general partner in order to be considered a voting interest entity. The specialized consolidation model and guidance for limited partnerships and similar legal entities have been eliminated. There is no longer a presumption that a general partner should consolidate a limited partnership. For limited partnerships and similar legal entities that qualify as voting interest entities, a limited partner with a controlling financial interest should consolidate a limited partnership. A controlling financial interest may be achieved through holding a limited partner interest that provides substantive kick-out rights. The standard is effective for annual periods beginning after December 15, 2015. The Company is currently evaluating the standard, but does not, at this time, anticipate a material impact to the financial statements and footnote disclosures once implemented.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, which amends FASB ASU Subtopic 835-30, Interest - Imputation of Interest. The new standard requires that all costs incurred to issue debt be presented in the balance sheet as a direct deduction from the carrying value of the debt. The standard is effective for interim and annual periods beginning after December 31, 2015 and is required to be applied on a retrospective basis. Early adoption is permitted. The Company expects that the adoption of this new guidance will result in a reclassification of debt issuance costs on its consolidated balance sheets.

Table of Contents

Note 3 — Accounts Receivable, net

Accounts receivable, net, consists of the following:

	March 31, 2015 (in thousands)	December 31, 2014
Accounts receivable, gross	\$40,890	\$34,790
Less allowance for doubtful accounts	(1,155)	(1,172)
Total accounts receivable, net	\$39,735	\$33,618

Note 4 — Inventories

Inventories consist of the following:

	March 31, 2015 (in thousands)	December 31, 2014
Raw materials	\$89,614	\$78,924
Work-in-process	19,696	16,195
Finished products	14,967	24,441
Total inventories	124,277	119,560
Less reserves	(2,654)	(2,553)
Total inventories, net	\$121,623	\$117,007

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

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

	March 31, 2015 (in thousands)	December 31, 2014
Operations / Corporate:		
Buildings	\$163,372	\$164,087
Machinery and equipment	197,081	196,768
Land	3,537	3,537
Construction in process	15,968	11,612
	379,958	376,004
Less accumulated depreciation	(219,365)	(215,217)
Property, plant and equipment, net	\$160,593	\$160,787
Railcar Leasing:		
Railcars on leases	\$743,321	\$695,226
Less accumulated depreciation	(37,402)	(31,911)
Railcars on leases, net	\$705,919	\$663,315
Railcars on 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.

Table of Contents

As of March 31, 2015, 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 9 months of 2015	\$79,272
2016	104,002
2017	89,039
2018	75,638
2019	57,936
2020 and thereafter	47,702
Total	\$453,589

Depreciation expense

The following table summarizes depreciation expense:

	Three Months Ended March 31,	
	2015	2014
	(in thousands)	
Total depreciation expense	\$10,061	\$7,683
Depreciation expense on leased railcars	\$5,491	\$3,331

Note 6 — Goodwill

As of March 31, 2015, 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.

The Company performed a qualitative assessment as of March 1, 2015 by considering the following relevant factors to determine whether it was more likely than not that the fair value of the reporting unit was greater than its carrying amount.

- The North American railcar market has been, and ARI expects it to continue to be, highly cyclical. The railcar industry continues to experience high levels of demand with a December 31, 2014 backlog at its highest point in history. Based upon third party forecasts for the industry over the next several years, the Company expects demand to remain at healthy levels.

ARI is subject to various laws and regulations. No significant assessments have been made by the various regulatory agencies against ARI.

- The railcar manufacturing industry has historically been extremely competitive.

- ARI experienced three strong years of railcar order activity in 2012, 2013 and 2014. The Company expects order activity to remain at healthy levels, as mentioned above.

The primary long-lived assets at the reporting unit are machines with uses in various applications for numerous markets and industries. As such, management does not believe that there has been a significant decrease in the market value of the reporting unit's long-lived assets.

- The reporting unit has a history of positive operating cash flows that is expected to continue.

No part of the reporting unit's net income is comprised of significant non-operating or non-recurring gains or losses, and no significant changes in balance sheet accruals were noted.

In addition, during 2014 there were no significant changes in the following with regard to the reporting unit that we expect to impact future results:

- Key personnel;
- Business strategy;
- Buyer or supplier bargaining power; and
- Legal factors.

After assessing the above factors, the Company determined that it was more likely than not that the fair value of the reporting unit was greater than its carrying amount, and therefore no further testing was necessary. Additionally, no impairment was recognized in any prior periods and there were no indicators of impairment since the annual assessment date.

Table of Contents

Note 7 — Investments in and Loans to Joint Ventures

As of March 31, 2015, 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. 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:

	March 31, 2015 (in thousands)	December 31, 2014
Carrying amount of investments in and loans to joint ventures		
Ohio Castings	\$9,656	\$9,194
Axis	20,038	19,974
Total investments in and loans to joint ventures	\$29,694	\$29,168

See Note 15, Related Party Transactions, 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 Castings nor the Company 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 the Company and Castings is limited to its investment in Ohio Castings.

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

	Three Months Ended March 31, 2015 2014 (in thousands)	
Results of operations		
Revenues	\$23,388	\$14,009
Gross profit	\$2,048	\$147
Net earnings (loss)	\$1,132	\$(569)

Axis

ARI, through ARI Component, 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 June 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.

Table of Contents

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 2014 and 2015, 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 \$27.9 million as of March 31, 2015 and \$29.1 million as of December 31, 2014.

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 neither ARI Component nor the Company has rights to the majority of returns, losses or votes, 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 ARI Component is limited to its investment in Axis and the loans due to the Company under the Axis Credit Agreement.

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

	Three Months Ended March 31, 2015 2014 (in thousands)	
Results of operations		
Revenues	\$20,340	\$14,851
Gross profit	\$5,063	\$312
Earnings before interest	\$4,789	\$72
Net earnings (loss)	\$3,664	\$(1,191)

As of March 31, 2015, the investment in Axis was comprised entirely of ARI's term loan and revolver. The Company has evaluated these loans 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 sheets in accrued expenses and taxes and is detailed as follows:

	Three Months Ended March 31, 2015 2014 (in thousands)	
Liability, beginning of period	\$953	\$1,385
Provision for warranties issued during the year, net of adjustments	608	289
Adjustments to warranties issued during previous years	(4)	(37)
Warranty claims	(217)	(139)
Liability, end of period	\$1,340	\$1,498

Note 9 — Debt

Lease fleet financings

From time to time the Company, through its wholly-owned subsidiaries LLI, LLII and LLIII, has entered into lease fleet financings in order to, among other things, support and grow its railcar leasing business. The lease fleet financings are obligations of the respective wholly-owned subsidiary, are generally non-recourse to ARI, and are secured by a first lien on the subject assets of the respective subsidiary, consisting of railcars, railcar leases, receivables and related assets, subject to limited exceptions. ARI has, however, entered into agreements containing certain representations, undertakings, and indemnities customary for asset sellers and parent companies in transactions of this type, and ARI is obligated to make any selections of transfers of railcars, railcar leases, receivables and related assets to be transferred to LLI, LLII and LLIII without any adverse selection, to cause American Railcar Leasing LLC

(ARL), as the manager, to maintain, lease, and re-lease LLI, LLII and LLIII's equipment no less favorably than similar portfolios serviced by ARL, and to repurchase or replace certain railcars under

Table of Contents

certain conditions set forth in the respective loan documents. See Note 15, Related Party Transactions, for further discussion regarding these agreements with ARL.

As of March 31, 2015 and December 31, 2014, the net book value of the railcars that were pledged as part of the Lease Fleet Financings was \$494.5 million and \$277.0 million, respectively.

January 2014 lease fleet refinancing

On January 15, 2014, LLI refinanced its senior secured delayed draw term loan facility (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, LLI 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 December 31, 2014, the outstanding principal balance on the Refinanced Term Loan, including the current portion, was \$309.0 million.

The Refinanced Term Loan accrued interest at a rate per annum equal to the 1-month LIBOR rate plus 2.0%, for a rate of 2.2% as of December 31, 2014. Pursuant to the terms of the Amended and Restated Credit Agreement, the Company was required to maintain deposits in an interest reserve bank account equal to seven months of interest payments. As of December 31, 2014, the interest reserve amount was \$3.9 million, and included within 'Restricted cash' on the consolidated balance sheet.

October 2014 bridge financing

On October 16, 2014, the Company, through its wholly-owned subsidiary, LLII, entered into a lease fleet financing facility for \$100.0 million under a term loan agreement (LLII Term Loan) in order to support the growth of its leasing business. The LLII Term Loan was scheduled to mature in April 2015. As of December 31, 2014, the outstanding principal balance on the LLII Term Loan was \$100.0 million and was classified in the consolidated balance sheet as 'Short-term debt, including current portion of long-term debt'.

Subject to the provisions of the LLII Term Loan, the principal borrowed thereunder accrued interest at a rate determined by reference to an index or, subject to certain circumstances, at a base rate. The Applicable Margin was equal to a rate per annum of 1.45%, for a rate of 1.7% as of December 31, 2014.

The fair value of the Company's borrowings under its lease fleet financing facilities was \$409.0 million as of December 31, 2014 and was 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.

January 2015 private placement notes

On January 29, 2015, the Company refinanced its lease fleet financing facilities to, among other things, increase the aggregate borrowings thereunder. In connection with the refinancing, LLIII completed a private placement of \$625.5 million in aggregate principal amount of notes consisting of \$250.0 million in aggregate principal amount of its 2.98% Fixed Rate Secured Railcar Equipment Notes, Class A-1 (Class A-1 Notes) and \$375.5 million in aggregate principal amount of its 4.06% Fixed Rate Secured Railcar Equipment Notes, Class A-2 (Class A-2 Notes, and collectively with the Class A-1 Notes, the Notes). Of the aggregate principal amount, \$408.5 million was used to refinance the LLI and LLII lease fleet financing facilities, resulting in net proceeds of \$211.6 million. In conjunction with the refinancing, the Company incurred a \$2.1 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 LLI and LLII lease fleet financings. As of March 31, 2015, the outstanding principal balance on the Notes, including the current portion, was \$621.0 million. The Notes have a legal final maturity date of January 17, 2045 and an expected principal repayment date of January 15, 2025.

The Notes were issued pursuant to an Indenture, dated January 29, 2015 between LLIII and U.S. Bank National Association, as indenture trustee (Indenture Trustee). The Class A-1 Notes bear interest at a fixed rate of 2.98% per annum, and the Class A-2 Notes bear interest at a fixed rate of 4.06% per annum. Interest on the Notes is payable monthly on the 15th calendar day of each month in accordance with the flow of funds provisions described in the

Indenture. While the legal final maturity date of the Notes is January 17, 2045, cash flows from LLIII's assets will be applied, pursuant to the flow of funds provisions of the Indenture, so as to achieve monthly targeted principal balances. Also, under the flow of funds provisions of the Indenture, early amortization of the Notes may be required in certain circumstances. If the Notes are not repaid by the expected principal repayment date on January 15, 2025, additional interest shall accrue at a rate of 5.0% per annum and be payable monthly

Table of Contents

according to the flow of funds. Pursuant to the terms of the Indenture, the Company is required to maintain deposits in a liquidity reserve bank account equal to nine months of interest payments. As of March 31, 2015, the liquidity reserve amount was \$17.0 million, and included within 'Restricted cash' on the condensed consolidated balance sheets. LLIII can prepay or redeem the Class A-1 Notes, in whole or in part, on any payment date and the Class A-2 Notes, in whole or in part, on any payment date occurring on or after January 16, 2018.

The Indenture contains covenants which limit, among other things, LLIII's ability to incur additional indebtedness or encumbrances on its assets, pay dividends or make distributions, make certain investments, perform its business other than specified activities, enter into certain types of transactions with its affiliates, and sell assets or consolidate or merge with or into other companies. These covenants are subject to a number of exceptions and qualifications. The Company was in compliance with all of these covenants as of March 31, 2015.

The Indenture also contains certain customary events of default, including among others, failure to pay amounts when due after applicable grace periods, failure to comply with certain covenants and agreements, and certain events of bankruptcy or insolvency. Certain events of default under the Indenture will make the outstanding principal balance and accrued interest on the Notes, together with all amounts then due and owing to the noteholders, immediately due and payable without further action. For other events of default, the Indenture Trustee, acting at the direction of a majority of the noteholders, may declare the principal of and accrued interest on all Notes then outstanding to be due and payable immediately.

The fair value of the Notes was \$627.8 million as of March 31, 2015 and is calculated by taking the net present value of future principal and interest payments using a discount rate that is based on the Company's most recent fixed debt transaction. The inputs used in the calculation are classified within Level 2 of the fair value hierarchy.

The future contractual minimum rental revenues related to the railcars pledged as of March 31, 2015 are as follows (in thousands):

Remaining 9 months of 2015	\$54,025
2016	70,340
2017	55,398
2018	42,406
2019	28,533
2020 and thereafter	31,405
Total	\$282,107

The remaining principal payments under the Notes as of March 31, 2015 are as follows (in thousands):

Remaining 9 months of 2015	\$19,370
2016	25,783
2017	25,588
2018	25,590
2019	25,507
2020 and thereafter	499,328
Total	\$621,166

Note 10 — Income Taxes

The Company's federal income tax returns for tax years 2011 and beyond remain subject to examination, with the latest statute of limitations expiring in September 2018. Certain of the Company's 2008 through 2010 state income tax returns and all of the Company's state income tax returns for 2011 and beyond remain open and subject to examination, with the latest statute of limitations expiring in December 2018. 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.

Table of Contents

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

	Pension Benefits Three Months Ended March 31,	
	2015	2014
	(in thousands)	
Service cost	\$44	\$57
Interest cost	237	243
Expected return on plan assets	(320)	(313)
Amortization of net actuarial loss/prior service cost	202	69
Net periodic cost recognized	\$163	\$56
	Postretirement Benefits Three Months Ended March 31,	
	2015	2014
	(in thousands)	
Service cost	\$—	\$—
Interest cost	1	1
Amortization of net actuarial gain/prior service credit	(12)	(14)
Net periodic benefit recognized	\$(11)	\$(13)

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 and \$0.2 million for the three months ended March 31, 2015 and 2014, respectively.

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

Table of Contents

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.

The Company has various agreements with and commitments to related parties. See Note 15, Related Party Transactions, 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.

On October 24, 2014, the Company filed a complaint in United States District Court for the Southern District of New York against Gyansys, Inc. (Gyansys). The complaint asserts a claim against Gyansys for breaching its contract with ARI to implement an enterprise resource planning system. The Company seeks to recover monetary damages in an amount still to be determined, but which ARI alleged exceeds \$25 million. Gyansys filed a response to the suit denying its responsibility. It also counterclaimed against ARI for a breach of contract and wrongful termination, seeking damages in excess of \$10 million and equitable relief. At this time, the Company does not have sufficient information to reasonably form an estimate of the potential outcome (gain or loss) of this litigation. However, ARI believes that Gyansys' counterclaims lack merit, and ARI has filed a motion to dismiss Gyansys' counterclaims in part.

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 March 31,	
	2015	2014
	(in thousands)	
Share-based compensation expense		
Cost of revenues: Manufacturing	\$48	\$856
Cost of revenues: Railcar services	—	278
Selling, general and administrative	59	2,872
Total share-based compensation expense	\$107	\$4,006

As of March 31, 2015, unrecognized compensation costs related to the unvested portion of SARs were estimated to be \$2.3 million and were expected to be recognized over a weighted average period of 33 months.

Table of Contents

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 Currency Translation	Accumulated Postretirement Transactions	Accumulated Other Comprehensive Income (Loss)
Balance December 31, 2013	\$ 760	\$(2,254)	\$(1,494)
Currency translation	(459)	—	(459)
Reclassifications related to pension and postretirement plans, net of tax effect of \$21 (1)	—	34	34
Balance March 31, 2014	\$ 301	\$(2,220)	\$(1,919)
Balance December 31, 2014	\$(275)	\$(5,074)	\$(5,349)
Currency translation	(985)	—	(985)
Reclassifications related to pension and postretirement plans, net of tax effect of \$75 (1)	—	114	114
Balance March 31, 2015	\$(1,260)	\$(4,960)	\$(6,220)

These accumulated other comprehensive income components relate to amortization of actuarial loss/(gain) and (1)— 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.

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:

Component purchases

The Company has from time to time purchased components from ACF under a long-term agreement, as well as on a purchase order basis. 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. The agreement automatically renews unless written notice is provided by the Company. ARI purchased \$2.6 million and \$0.2 million of components from ACF during the three months ended March 31, 2015 and 2014, respectively.

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. Under this agreement, ARI provides purchasing support and engineering services to ACF in connection with ACF's manufacture and sale of 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 tank railcars during the term of the agreement. In August 2014, ARI and ACF amended this agreement to, among other provisions, extend the termination date to December 31, 2015 from December 31, 2014, subject to certain early termination events.

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% 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 are provided at fair market value.

Table of Contents

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 tank railcars for any new orders scheduled for delivery after that date and through termination of the agreement. 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 \$2.2 million and \$5.7 million for the three months ended March 31, 2015 and 2014, respectively, 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.

Revenues of \$6.4 million and \$4.0 million for the three months ended March 31, 2015 and 2014, respectively, 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 Railcar Services Agreement was unanimously approved by the independent directors of the Company's audit committee.

Railcar management agreements

From time to time, the Company and its wholly-owned subsidiaries have entered into railcar management agreements with ARL, pursuant to which the Company and its respective wholly-owned subsidiaries engaged ARL to manage, sell, operate, market, store, lease, re-lease, sublease and service ARI's railcars, subject to the terms and conditions of the agreement. These agreements provide that ARL will manage the leased railcars (as identified in the respective agreement) including arranging for services, such as repairs or maintenance, as deemed necessary. Subject to the terms and conditions of each agreement, ARL receives, in respect of leased railcars, a management fee based on the lease revenues. Each of these agreements were unanimously approved by the independent directors of the Company's audit committee.

On February 29, 2012, the Company entered into a railcar management agreement with ARL (the ARI railcar management 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, LLI entered into a similar agreement with ARL (the LLI railcar management agreement). In January 2014, LLI and ARL amended the LLI railcar management agreement to, among other provisions, extend the termination date to January 15, 2020. On October 16, 2014, LLII entered into a railcar management agreement with ARL (the LLII railcar management agreement). Under the ARI and LLI railcar management agreements, in addition to the management fee, ARL receives a fee consisting of a lease origination fee, and, in respect of railcars sold by ARL, sales commissions. In January 2015, in connection with the Company's refinancing of its lease fleet financings, the LLI and LLII railcar management agreements were terminated and LLIII entered into a similar railcar management agreement with ARL. This agreement extends through the Notes' final maturity date of January 17, 2045, unless terminated earlier pursuant to its terms (together with the railcar management agreements discussed above, collectively the Railcar Management Agreements).

Total lease origination and management fees incurred under the Railcar Management Agreements were \$1.5 million and \$0.8 million for the three months ended March 31, 2015 and 2014, respectively. These fees are included in cost of revenues for railcar leasing on the condensed consolidated statements of operations. Sales commissions of \$0.3

million and \$0.1 million were incurred for each of the three months ended March 31, 2015 and 2014, respectively. These costs are included in selling, general and administrative costs on the condensed consolidated statements of operations.

Table of Contents

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 \$119.0 million and \$35.6 million for the three months ended March 31, 2015 and 2014, respectively, and are included in manufacturing revenues from affiliates on the condensed consolidated statements of operations. 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 \$27.9 million and \$29.1 million as of March 31, 2015 and December 31, 2014, respectively. See Note 7, Investments in and Loans to Joint Ventures, 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, ARI sells and MWR purchases scrap metal from several ARI plant locations. This agreement has an initial term through November 2015 then shall continue until terminated by either party, in accordance with the provisions of the agreement. MWR collected scrap material totaling \$1.5 million and \$2.2 million for the three months ended March 31, 2015 and 2014, respectively. This agreement was approved by the independent directors of the Company's audit committee.

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 months ended March 31, 2015 and 2014, 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.

Financial information for transactions with related parties

Cost of revenues for manufacturing included \$41.5 million and \$27.0 million for the three months ended March 31, 2015 and 2014, respectively, for railcar components purchased from joint ventures.

Inventory as of March 31, 2015 and December 31, 2014, included \$10.5 million and \$6.6 million, respectively, of railcar components purchased from joint ventures and all profit for this inventory still on hand was eliminated.

Note 16 — Operating Segments 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 railcar 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.

Table of Contents

Railcar services

Railcar services consists of railcar repair services provided through the Company's various repair facilities, including mini repair shops and mobile repair 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.

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						
March 31, 2015						
Manufacturing	\$221,811	\$83,731	\$305,542	\$44,793	\$25,645	\$70,438
Railcar leasing	24,585	—	24,585	14,786	(22	) 14,764
Railcar services	17,380	102	17,482	2,840	27	2,867
Corporate/Eliminations	—	(83,833	) (83,833	) (2,404	) (25,650	) (28,054
Total Consolidated	\$263,776	\$—	\$263,776	\$60,015	\$—	\$60,015
Three Months Ended						
March 31, 2014						
Manufacturing	\$153,963	\$64,029	\$217,992	\$33,655	\$19,730	\$53,385
Railcar leasing	11,746	—	11,746	6,230	31	6,261
Railcar services	16,406	132	16,538	2,181	38	2,219
Corporate/Eliminations	—	(64,161	) (64,161	) (5,559	) (19,799	) (25,358
Total Consolidated	\$182,115	\$—	\$182,115	\$36,507	\$—	\$36,507

	March 31, 2015	December 31, 2014
	(in thousands)	
Total Assets		
Manufacturing	\$347,055	\$356,720
Railcar leasing	979,613	908,010
Railcar services	52,418	52,639
Corporate/Eliminations	62,470	(124,960
Total Consolidated	\$1,441,556	\$1,192,409

Sales to Related Parties

As discussed in Note 15, Related Party Transactions, 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 March 31,			
	2015		2014	
Manufacturing	45.9	%	22.6	%
Railcar leasing	—	%	—	%
Railcar services	2.4	%	2.2	%

Table of Contents

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 months ended March 31, 2015 and 2014.

	Three Months Ended March 31,			
	2015		2014	
Manufacturing revenues from significant customers	62.2	%	41.4	%

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 March 31, 2015 and December 31, 2014.

	March 31,		December 31,	
	2015		2014	
Manufacturing receivables from significant customers	53.7	%	60.5	%

Note 17 — Subsequent Events

In April 2015, ARI entered into a repair services and support agreement with ACF. Under this agreement, ARI will provide certain sales and administrative and technical services, materials and purchasing support and engineering services to ACF to provide repair and retrofit services (Repair Services). Additionally, ARI will provide a non-exclusive and non-assignable license of certain intellectual property related to the Repair Services for railcars. ARI will receive 30% of the net profits (as defined in the agreement) for Repair Services related to all railcars not owned by ARL or its subsidiaries and 20% of the net profits for Repair Services related to all railcars owned by ARL or its subsidiaries, if any, but will not absorb any losses incurred by ACF. Under the agreement, ARI has the exclusive right to sales opportunities related to Repair Services, except for any sales opportunity related to Repair Services presented to ACF by ARL with respect to ARL-owned railcars. ARI also has the right to assign any sales opportunities related to Repair Services to ACF, and ACF has the right, but not the obligation, to accept such sales opportunity. Subject to certain early termination events, the agreement terminates on December 31, 2020.

Also in April 2015, ARI entered into a parts purchasing and sale agreement with ACF. Under this agreement, ARI and ACF may, from time to time, purchase and sell to each other certain parts for railcars (Parts). ARI also will provide a non-exclusive and non-assignable license of certain intellectual property related to the manufacture and sale of Parts to ARI. The buyer under the agreement must pay the market price of the parts as determined in the agreement or as stated on a public website for all ARI buyers. ARI may provide designs, engineering and purchasing support, including all materials and components to ACF. Subject to certain early termination events, the agreement terminates on December 31, 2020.

On April 28, 2015, 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 June 18, 2015 that will be paid on June 30, 2015.

Table of Contents

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, the potential impact of regulatory developments, anticipated customer demand for our products, trends relating to our shipments, leasing business, 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, short- and long-term liquidity needs and financing 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 plans 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:

risks relating to our compliance with, and the overall railcar industry's implementation of, United States and Canadian final regulations related to the transportation of flammable liquids by rail released on May 1, 2015;

our prospects in light of the cyclical nature of our business;

the health of and prospects for the overall railcar industry;

fluctuations in commodity prices, including oil and gas;

the highly competitive nature of the manufacturing, railcar leasing and railcar services industries;

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;

our reliance upon a small number of customers that represent a large percentage of our revenues and backlog;

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 impact of an economic downturn, adverse market conditions and restricted credit markets;

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, including long-term capital needs to further support the growth of our lease fleet;

the impact, costs and expenses of any litigation we may be subject to now or in the future;

the 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 and ongoing management of our new enterprise resource planning system; and

the risks related to our and our subsidiaries' indebtedness and compliance with covenants contained in our and our subsidiaries' financing arrangements.

Table of Contents

In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “could,” “would,” “expect,” “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, 2014 (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 consist of railcar repair, engineering and field services.

The North American railcar market has been, and we expect it to continue to be, highly cyclical. We continue to see inquiries for pressure and general service tank railcars, as well as inquiries for hopper railcars servicing various commodities in the non-energy related markets. In contrast, demand for railcars servicing the energy markets remains uncertain, given the recent volatility in oil prices, as well as the release of final regulations related to tank railcars in the U.S. and Canada that had been pending up until May 1, 2015. As a result, certain customers may be delaying further inquiries for energy related railcars, including tank railcars for crude and ethanol service and hopper railcars for sand service. However, consistent with industry expectations, we believe demand for tank and hopper railcars will continue at healthy levels for the next several quarters.

The anticipated final regulations related to tank railcars in flammable service were released by the United States and Canada on May 1, 2015. We are currently reviewing the final rules in detail to assess their expected impact on our business and demand for our products and services. We continue to believe our current efforts to increase flexibility at our plants while focusing on our core business of tank and hopper railcar manufacturing will position us to meet any increase in demand for new railcars, as well as retrofit and maintenance work to existing railcars that may result from these new regulations. We cannot assure you of the impact of this regulatory change affecting the North American railcar industry or our business. Similarly, we cannot assure you that hopper or tank railcar demand will continue at strong levels, that demand for any railcar types or railcar services will improve, or that our railcar backlog, orders or shipments will track industry-wide trends.

In the first quarter of 2015, we experienced new quarterly records for revenue and earnings driven by strong levels of hopper and tank railcar shipments for direct sale. During the first quarter of 2015, we shipped 2,668 railcars, which is 65.7% higher than that of the same period in 2014. Railcars built for the Company's lease fleet represented 24.4% of ARI's total railcar shipments during the first quarter of 2015 compared to 29.8% for the same period in 2014. We continue to be strategic in our selection of orders for railcars that will be added to our lease fleet versus 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 March 31, 2015, we had a backlog of 10,471 railcars, including 2,343 railcars for lease customers. In response to changes in customer demand, we continue to adjust production rates as needed at our railcar manufacturing facilities. We currently expect that, beginning in the second half of 2015 and continuing on for the next several quarters, our production will shift to more specialized hopper and tank railcars with higher material and labor content.

We continue to benefit from the growth of our lease fleet, our ability to efficiently produce high quality hopper and tank railcars and sustain high volumes of production at our facilities. These factors contributed to our strong results and a competitive consolidated operating margin of 22.8% for the three months ended March 31, 2015.

To further diversify our business, we are investing capital and evaluating opportunities to further expand our manufacturing flexibility and repair capacity to address the anticipated needs of the industry resulting from the tank railcar regulations released on May 1, 2015. The current expansion projects at two of our existing repair plants are progressing and we expect these projects will be completed in 2015, thus further expanding our capacity for repair projects. We cannot assure you that any

Table of Contents

increased manufacturing flexibility or repair capacity will be sufficient to meet the demands of the industry resulting from these regulations.

RESULTS OF OPERATIONS

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Consolidated Results

	Three Months Ended March 31,		\$	%
	2015	2014	Change	Change
	(in thousands)			
Revenues:				
Manufacturing	\$221,811	\$153,963	\$67,848	44.1
Railcar leasing	24,585	11,746	12,839	109.3
Railcar services	17,380	16,406	974	5.9
Total revenues	\$263,776	\$182,115	\$81,661	44.8
Cost of revenues:				
Manufacturing	\$(174,534)	\$(118,365)	\$(56,169)	(47.5)
Railcar leasing	(7,701)	(4,491)	\$(3,210)	(71.5)
Railcar services	(13,845)	(13,365)	\$(480)	(3.6)
Total cost of revenues	\$(196,080)	\$(136,221)	\$(59,859)	(43.9)
Selling, general and administrative	(7,681)	(9,387)	1,706	18.2
Earnings from operations	\$60,015	\$36,507	\$23,508	64.4
Revenues				

Our total consolidated revenues for the three months ended March 31, 2015 increased by 44.8% compared to the same period in 2014. This increase was due to increased revenues across all three of our segments, with the largest dollar increase in our manufacturing segment. During the three months ended March 31, 2015, we shipped 2,017 direct sale railcars, which excludes 651 railcars (24.4% of total shipments) built for our lease fleet, compared to 1,130 direct sale railcars for the same period of 2014, which excludes 480 railcars (29.8% of total shipments) built for our lease fleet. 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.

Manufacturing revenues increased by 44.1% during the three month period ended March 31, 2015 compared to the same period in 2014. The change during the quarter was a result of multiple factors. As discussed above, we shipped 887 more direct sale railcars during the quarter, a significantly higher volume of direct sale railcars as compared to the same period of 2014. The shipment of direct sale railcars accounted for 48.5% of the total increase in manufacturing revenues for the three month period ended March 31, 2015. Hopper railcar shipments for direct sale significantly increased in the first quarter of 2015 compared to the same period in 2014 as that market has strengthened. In contrast, while production of tank railcars continues at strong levels, a higher percentage of tank railcars were built for our lease fleet during the first quarter of 2015 compared to the same period of 2014, with the related revenues being eliminated in consolidation, as discussed below. This has resulted in a higher mix of hopper railcars shipped for direct sale, which generally sell at lower prices than tank railcars due to less material and labor content. This increase was partially offset by a decrease of 4.4% related to lower revenues from certain material cost changes that we generally pass through to customers, as discussed below.

Leasing revenues increased by 109.3% during the three months ended March 31, 2015 compared to the same period in 2014 due to an increase in the number of railcars in our lease fleet and higher average lease rates. The lease fleet grew from 4,930 railcars at March 31, 2014 to 8,381 railcars at March 31, 2015.

Railcar services revenues increased by 5.9% during the three months ended March 31, 2015 compared to the same period in 2014 due to a favorable change in the mix of work at our repair facilities and the additional capacity resulting from our Brookhaven repair facility that became operational during the third quarter of 2014.

Table of Contents

Cost of revenues

Our total consolidated cost of revenues increased by 43.9% for the three months ended March 31, 2015 compared to the same period in 2014. This increase was due to increased cost of revenues across all three of our segments, with the largest dollar increase in our manufacturing segment.

Cost of revenues increased for our manufacturing segment by 47.5% for the three months ended March 31, 2015 compared to the same period in 2014. This change was primarily a result of higher hopper direct sale railcar shipments causing a 53.3% increase in manufacturing cost of revenues, as discussed above, partially offset by a decrease of 5.8% resulting from lower material costs for key components and steel. The decrease in costs for key components and steel is also reflected as a decrease 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.

Cost of revenues for our railcar leasing segment increased by 71.5% for the three months ended March 31, 2015 compared to the same period in 2014 primarily as a result of an increase in our lease fleet, as discussed above.

Cost of revenues for our railcar services segment increased by 3.6% for the three months ended March 31, 2015 compared to the same period in 2014, primarily due to a favorable change in the mix of work at our repair facilities resulting in increased material and labor content and the additional capacity resulting from our Brookhaven repair facility, as discussed above.

Selling, general and administrative expenses

Our selling, general and administrative expenses were \$7.7 million for the first quarter of 2015 compared to \$9.4 million for the same period in 2014. This \$1.7 million decrease was primarily due to a decrease of \$2.8 million in share-based compensation expense driven by the decrease in our stock price of \$2 per share during the first quarter of 2015 compared to an increase of \$24 per share during the same period in 2014. This decrease was partially offset by an increase of \$0.7 million in sales commissions due to a higher volume of direct sale railcar shipments during the three months ended March 31, 2015 compared to the same period in 2014 and an increase of \$0.4 million in other corporate expenses.

Interest expense

Our total consolidated interest expense increased by 183.4% for the three months ended March 31, 2015, compared to the same period in 2014. In January 2015, our wholly-owned subsidiary completed a \$625.5 million private placement of two classes of fixed rate secured railcar equipment notes bearing interest at a rate of 2.98% and 4.06% per annum, respectively, as discussed further in the liquidity and capital resources section below, resulting in a higher average debt balance during the first quarter of 2015 compared to the same period in 2014. In addition, our weighted average interest rate increased to 3.2% during the first quarter of 2015 compared to 2.2% during the same period in 2014.

Loss on debt extinguishment

During the three months ended March 31, 2015, we refinanced our lease fleet financing facilities, resulting in net proceeds of \$211.6 million under a private placement of secured railcar equipment notes. This refinancing resulted in a \$2.1 million non-cash charge related to the accelerated write-off of the remainder of deferred debt issuance costs incurred in connection with the 2014 lease fleet financing facilities. During the same period in 2014, we refinanced our original lease fleet financing facility, resulting 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.

Earnings (Loss) from Joint Ventures

The breakdown of our earnings (loss) from joint ventures during the three months ended March 31, 2015 and 2014 was as follows:

	Three Months Ended March 31,		
	2015	2014	Change
	(in thousands)		
Ohio Castings	\$462	\$(190)) \$652
Axis	1,335	(411)) 1,746

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Total Earnings (Loss) from Joint Ventures	\$1,797	\$(601) \$2,398
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24

Table of Contents

Our joint venture earnings were \$1.8 million for the three months ended March 31, 2015 compared to losses of \$0.6 million for the same period in 2014. These increases were a result of increased sales and production levels due to strong railcar industry demand.

Income Tax Expense

Our income tax expense was \$20.5 million, or 37.0% of our earnings before income taxes for the three months ended March 31, 2015 compared to \$12.2 million, or 37.0% of our earnings before income taxes for the same period in 2014.

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 March 31, 2015 (in thousands)			2014			Change
	External	Intersegment	Total	External	Intersegment	Total	
Revenues							
Manufacturing	\$221,811	\$83,731	\$305,542	\$153,963	\$64,029	\$217,992	\$87,550
Railcar leasing	24,585	—	24,585	11,746	—	11,746	12,839
Railcar services	17,380	102	17,482	16,406	132	16,538	944
Eliminations	—	(83,833)	(83,833)	—	(64,161)	(64,161)	(19,672)
Total Consolidated	\$263,776	\$—	\$263,776	\$182,115	\$—	\$182,115	\$81,661
Earnings (Loss) from Operations							
Manufacturing	\$44,793	\$25,645	\$70,438	\$33,655	\$19,730	\$53,385	\$17,053
Railcar leasing	14,786	(22)	14,764	6,230	31	6,261	8,503
Railcar services	2,840	27	2,867	2,181	38	2,219	648
Corporate/Eliminations	(2,404)	(25,650)	(28,054)	(5,559)	(19,799)	(25,358)	(2,696)
Total Consolidated	\$60,015	\$—	\$60,015	\$36,507	\$—	\$36,507	\$23,508

	Three Months Ended March 31,		
	2015	2014	
Segment Operating Margins			
Manufacturing	23.1	% 24.5	%
Railcar leasing	60.1	% 53.3	%
Railcar services	16.4	% 13.4	%
Manufacturing			

Our manufacturing segment revenues, including an estimate of revenues for railcars built for our lease fleet, increased by \$87.6 million for the three months ended March 31, 2015 compared to the same period in 2014 as a result of increased hopper railcar shipments as well as strong tank railcar market conditions. During the first quarter of 2015, we shipped 2,668 railcars, including 651 railcars built for our lease fleet, compared to 1,610 railcars for the same period of 2014, including 480 railcars built for our lease fleet.

Table of Contents

Manufacturing segment revenues for the three months ended March 31, 2015 included estimated revenues of \$83.7 million relating to railcars built for our lease fleet, compared to \$64.0 million for the same period in 2014. Revenues related to railcars built for our lease fleet increased due to a higher quantity of both tank and 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 24.4% of our railcar shipments during the three months ended March 31, 2015 compared to 29.8% of our railcar shipments during the same period in 2014.

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 months ended March 31, 2015 included direct sales of railcars to the IELP Entities totaling \$119.0 million compared to \$35.6 million for the same period in 2014. In addition, we recorded \$2.2 million of 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 months ended March 31, 2015 compared to \$5.7 million for the same period in 2014. Total manufacturing segment revenues from our affiliates represent 45.9% of our total consolidated revenues for the three months ended March 31, 2015 compared to 22.6% for the same period in 2014. ACF is also affiliated with Mr. Carl Icahn.

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 \$17.1 million for the three months ended March 31, 2015 compared to the same period in 2014. Estimated profit on railcars built for our lease fleet, which is eliminated in consolidation, was \$25.6 million for the three months ended March 31, 2015 compared to \$19.7 million for the same period in 2014. 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 decreased to 23.1% for the three months ended March 31, 2015 compared to 24.5% for the same period in 2014. This decrease was due to a shift in sales mix to more hopper railcars that generally sell at lower prices than tank railcars due to less material and labor content.

Railcar Leasing

Our railcar leasing segment revenues for the three months ended March 31, 2015 increased by \$12.8 million compared to the same period in 2014. 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 \$8.5 million for the three months ended March 31, 2015 compared to the same period in 2014. This increase is primarily due to the growth in the number of railcars in our lease fleet and higher average lease rates.

Railcar Services

Our railcar services segment revenues increased by \$0.9 million for the three months ended March 31, 2015 compared to the same period in 2014. The increase was primarily due to a favorable change in the mix of work at our repair facilities and the additional capacity resulting from our Brookhaven repair facility, as discussed above.

For the three months ended March 31, 2015, our railcar services segment revenues included transactions with ARL totaling \$6.4 million, or 2.4% of our total consolidated revenues for the three months ended March 31, 2015 compared to \$4.0 million, or 2.2% of our total consolidated revenues for the same period in 2014.

Earnings from operations for our railcar services segment, which include an allocation of selling, general and administrative costs, increased by \$0.6 million for the three months ended March 31, 2015 compared to the same period in 2014. Operating margins for this segment were 16.4% for the three months ended March 31, 2015 compared to 13.4% for the same period in 2014. These increases are due to an increase in revenues, as discussed above.

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 March 31, 2015, our total backlog was 10,471 railcars, of which 8,128 railcars with an estimated market value of \$826.8 million were orders for direct sale and 2,343 railcars with an estimated market value of \$267.5 million were orders for railcars that will be subject to lease. As of December 31, 2014, our total

Table of Contents

backlog was 11,732 railcars, of which 8,888 railcars with an estimated market value of \$889.1 million were orders for direct sale and 2,844 railcars with an estimated market value of \$334.1 million were orders for railcars that will be subject to lease.

Railcars for Sale. As of March 31, 2015, approximately 77.7% 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 11.9% of the total number of railcars in our backlog as of March 31, 2015.

Railcars for Lease. As of March 31, 2015, approximately 22.3% of the total number of railcars in our backlog were for firm lease orders. Estimated backlog value of railcars for 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 March 31, 2015, we had net working capital of \$382.8 million, including \$310.1 million of cash and cash equivalents. As of March 31, 2015, we had \$621.0 million of debt outstanding under an indenture entered into by our wholly-owned subsidiary, Longtrain Leasing III, LLC (LLIII).

Outstanding and Available Debt

Lease fleet financings

In January 2015, we refinanced the Longtrain Leasing I, LLC (LLI) and Longtrain Leasing II, LLC (LLII) lease fleet financing facilities to, among other things, increase our borrowings. Our wholly-owned subsidiary, LLIII completed a private placement of \$625.5 million in aggregate principal amount of notes consisting of \$250.0 million in aggregate principal amount of its 2.98% Fixed Rate Secured Railcar Equipment Notes, Class A-1 (Class A-1 Notes) and \$375.5 million in aggregate principal amount of its 4.06% Fixed Rate Secured Railcar Equipment Notes, Class A-2 (Class A-2 Notes, and collectively with the Class A-1 Notes, the Notes). The financing provided us with net cash of \$211.6 million. The Notes have a legal final maturity date of January 17, 2045 and an expected principal repayment date of January 15, 2025.

The Notes are not registered under the Securities Act of 1933, as amended (Securities Act), or any state securities laws, and were offered only to qualified institutional buyers in reliance on Rule 144A under the Securities Act and outside the United States in accordance with Regulation S under the Securities Act.

The Notes were issued pursuant to an Indenture, dated January 29, 2015 (Indenture) between LLIII and U.S. Bank National Association, as indenture trustee (Indenture Trustee). The Class A-1 Notes bear interest at a fixed rate of 2.98% per annum, and the Class A-2 Notes bear interest at a fixed rate of 4.06% per annum. Pursuant to the terms of the Indenture, LLIII is required to maintain deposits in a liquidity reserve bank account equal to nine months of interest payments. As of March 31, 2015, the liquidity reserve amount was \$17.0 million, and included within 'Restricted cash' on the condensed consolidated balance sheets. Interest on the Notes is payable monthly on the 15th calendar day of each month in accordance with the flow of funds provisions described in the Indenture. While the legal final maturity date of the Notes is January 17, 2045, cash flows from LLIII's assets will be applied, pursuant to the flow of funds provisions of the Indenture, so as to achieve monthly targeted principal balances. Also, under the flow of funds provisions of the Indenture, early amortization of the Notes may be required in certain circumstances. If

the Notes are not repaid by the expected principal repayment date on January 15, 2025, additional interest shall accrue at a rate of 5.0% per annum and be payable monthly according to the flow of funds. LLIII can prepay or redeem the Class A-1 Notes, in whole or in part, on any payment date and the Class A-2 Notes, in whole or in part, on any payment date occurring on or after January 16, 2018.

Table of Contents

The Indenture also contains certain customary events of default, including among others, failure to pay amounts when due after applicable grace periods, failure to comply with certain covenants and agreements, and certain events of bankruptcy or insolvency. Certain events of default under the Indenture will make the outstanding principal balance and accrued interest on the Notes, together with all amounts then due and owing to the noteholders, immediately due and payable without further action. For other events of default, the Indenture Trustee, acting at the direction of a majority of the noteholders, may declare the principal of and accrued interest on all Notes then outstanding to be due and payable immediately.

The Notes are obligations of LLIII, are generally non-recourse to ARI, and are secured by a first lien on the subject assets of LLIII consisting of railcars, railcar leases, receivables and related assets, subject to limited exceptions. ARI has, however, entered into agreements containing certain representations, undertakings, and indemnities customary for asset sellers and parent companies in transactions of this type, and ARI is obligated to make any selections of transfers of railcars, railcar leases, receivables and related assets to be transferred to LLIII without any adverse selection, to cause ARL, as the manager, to maintain, lease, and re-lease LLIII's equipment no less favorably than similar portfolios serviced by ARL, and to repurchase or replace certain railcars under certain conditions set forth in the respective financing documents.

Cash Flows

The following table summarizes our change in cash and cash equivalents:

	Three Months Ended March 31,		
	2015	2014	Change
	(in thousands)		
Net cash provided by (used in):			
Operating activities	\$85,574	\$(7,409)	) \$92,983
Investing activities	(51,817)	) (46,407)	) (5,410)
Financing activities	188,425	111,124	77,301
Effect of exchange rate changes on cash and cash equivalents	(235)	) (72)	) (163)
Increase in cash and cash equivalents	\$221,947	\$57,236	\$164,711

Net Cash Provided By (Used In) 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.

Our net cash provided by operating activities for the three months ended March 31, 2015 was \$85.6 million compared to net cash used in operating activities of \$7.4 million for the same period in 2014. This increase was primarily due to changes in various operating assets and liabilities, including accounts receivable and inventories, due to the timing of shipments and customer payments and increased earnings, as described above.

Net Cash Used In Investing Activities

Our net cash used in investing activities for the three months ended March 31, 2015 was \$51.8 million compared to \$46.4 million in the same period in 2014. The increase was a result of higher spending on leased railcars and capital expenditures during the first three months of 2015 compared to the same period in 2014.

Net Cash Provided By Financing Activities

Our net cash provided by financing activities for the three months ended March 31, 2015 was \$188.4 million compared to \$111.1 million in the same period in 2014. The cash provided by financing activities during the first three months of 2015 was a result of the \$211.6 million in net proceeds that the Company received from the January 2015 lease fleet refinancing, as discussed above, partially offset by the related debt issuance costs of \$5.3 million and an increase in the liquidity reserve of \$9.8 million associated with the Notes. The cash provided by financing activities during the first three months of 2014 was a result of the \$122.2 million in net proceeds that the Company received from the January 2014 lease fleet refinancing, partially offset by the related debt issuance costs of \$2.4 million.

Table of Contents

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 three months ended March 31, 2015 were \$48.1 million for manufacturing railcars for lease to others and \$5.0 million for capitalized projects that expand our business, maintain equipment, improve efficiencies and reduce costs. Our current capital expenditure plans for the remainder of 2015 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 you that we will be able to complete any of our projects on a timely basis or within budget, if at all, or that our capital expenditures will align with industry demand for our products and services. We are currently reviewing the final tank railcar regulations released on May 1, 2015 in detail to assess their expected impact on our business and demand for our products and services. As a result of these new regulations, we may need to adjust our capital expenditure plans.

Future Liquidity

Our current liquidity consists of our existing cash balance, anticipated cash flows from operations, and net proceeds of \$211.6 million received under LLIII's January 2015 Indenture. 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 expect that our longer term cash needs may require additional financing over and above our current liquidity position. We expect our future cash flows from operations could be impacted by the state of the credit markets and the overall economy, the new tank railcar regulations, 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 for lease versus direct sale.

Our long-term liquidity is contingent upon future operating performance, our wholly-owned leasing subsidiary's ability to continue to meet its financial covenants under the Indenture and any other indebtedness we may enter into, and the ability to repay or refinance such 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, and to comply with the new tank railcar regulations. 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.

Contractual Obligations and Contingencies

As of March 31, 2015, our outstanding debt increased to \$621.0 million from \$409.0 million as of December 31, 2014, in connection with the refinancing of the lease fleet financing facilities, resulting in increased borrowings under the Indenture, 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, 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, 2014.

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, 2014.

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, 2014.

Table of Contents

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.

In February 2015, the FASB issued ASU No. 2015-02, which amends FASB ASU Topic 810, Consolidations. This ASU amends the current consolidation guidance, including introducing a separate consolidation analysis specific to limited partnerships and other similar entities. This ASU requires that limited partnerships and similar legal entities provide partners with either substantive kick-out rights or substantive participating rights over the general partner in order to be considered a voting interest entity. The specialized consolidation model and guidance for limited partnerships and similar legal entities have been eliminated. There is no longer a presumption that a general partner should consolidate a limited partnership. For limited partnerships and similar legal entities that qualify as voting interest entities, a limited partner with a controlling financial interest should consolidate a limited partnership. A controlling financial interest may be achieved through holding a limited partner interest that provides substantive kick-out rights. The standard is effective for annual periods beginning after December 15, 2015. We are currently evaluating the standard, but do not, at this time, anticipate a material impact to the financial statements and footnote disclosures once implemented.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, which amends FASB ASU Subtopic 835-30, Interest - Imputation of Interest. The new standard requires that all costs incurred to issue debt be presented in the balance sheet as a direct deduction from the carrying value of the debt. The standard is effective for interim and annual periods beginning after December 31, 2015 and is required to be applied on a retrospective basis. Early adoption is permitted. We expect that the adoption of this new guidance will result in a reclassification of debt issuance costs on our consolidated balance sheets.

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, 2014, except as noted below.

In January 2015, LLIII completed a private placement of two classes of fixed rate secured railcar equipment notes bearing interest at a rate of 2.98% and 4.06% per annum, respectively. This lease fleet financing was used by the Company to completely refinance its prior variable rate debt obligations. The Company does not expect to be affected by changes in interest rates in fiscal year 2015 so long as the Company does not engage in any further debt financings with variable rates.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure controls and procedures

Under the supervision and with the participation of our 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 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.

Table of Contents

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, 2014.

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, 2014. 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, 2014. 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 beginning in 2011 and continuing through 2014 driven by increased demand for shipment of certain commodities, replacement of older railcars and federal tax benefits from the delivery of railcars in 2011 through 2014. Though we have seen improvements in certain railcar markets in recent years, these improvements may or may not continue. Recently announced regulatory changes related to tank railcars in North America may impact future new railcar production rates and orders from our customers, as well as retrofit and maintenance work to existing railcars. We are currently reviewing the final rules in detail to assess their expected impact on our business and demand for our products and services. We are investing capital and evaluating opportunities to further expand our manufacturing flexibility and repair capacity to address the anticipated needs of the industry resulting from the new regulations. We cannot assure you that any increased manufacturing flexibility or repair capacity will be sufficient to meet the demands of the industry resulting from these regulations. Nor can we assure you that hopper or tank railcar demand will continue at strong levels, that demand for any railcar types or railcar services will improve, or that our railcar backlog, orders and shipments will track industry-wide trends. Similarly, we cannot assure you of the impact of the regulatory changes affecting the North American railcar industry or our business. 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 57.3% of our March 31, 2015 backlog will be shipped during 2015. 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. Additionally, reductions in oil prices may result in reduced production of domestic oil, thus driving down demand for our tank railcars that service the crude oil 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.

Exposure to fluctuations in commodity and energy prices may impact our results of operations.

Fluctuations in commodity or energy prices, including crude oil and gas prices, could negatively impact the activities of our customers resulting in a corresponding adverse effect on the demand for our products and services. These shifts in demand could affect our results of operations and could have an adverse effect on our profitability. Changes in environmental or governmental regulations, pipeline capacity, the price of crude oil and gas and related products and other factors could reduce demand for railcars in the energy transportation industry, including our primary railcar products, and have a material adverse effect on our financial condition and results of operations.

Table of Contents

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 have and may continue to increase their capacity 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 the 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.

The variable needs 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 73.7%, 79.5% and 79.7% of our total consolidated revenues in 2014, 2013 and 2012, 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 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.

Table of Contents

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 75.4%, 81.2% and 83.4% of our total consolidated revenues in 2014, 2013 and 2012, respectively. Moreover, our top three customers accounted for approximately 54.5%, 64.2% and 67.4% of our total consolidated revenues in 2014, 2013 and 2012, 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 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. 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. and Canadian regulatory authorities released final rules related to tank railcar manufacturing and retrofitting standards on May 1, 2015. The regulations could materially impact the tank railcar manufacturing and retrofitting processes 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 such as steel in a timely manner and at reasonable cost, we may be unable to manufacture or retrofit railcars that comply with these new regulations and/or to take advantage of any increase in demand for our products and services as a result of these 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 2014, our top three suppliers accounted for approximately 41.0% of the total materials that we purchased and our top ten suppliers accounted for approximately 69.8% 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

Table of Contents

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. 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 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 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.

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 36.1%, 35.7% and 17.5% of our consolidated revenues in 2014, 2013 and 2012, respectively and 48.4% of our consolidated revenues during the three months ended March 31, 2015. This revenue is primarily attributable to the 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. Additionally, we have entered into a repair services and support agreement and license with ACF, under which we provide certain sales and administrative and technical services, materials and purchasing support and engineering services to ACF to provide repair and retrofit services. We also have entered into a parts purchasing and sale agreement and license with ACF, under which we may, from time to time, purchase from and sell to ACF certain parts for railcars. 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 on behalf of itself, its subsidiaries and other third parties, and therefore markets our railcars and railcars owned by others to the same customer base. Our management agreements with ARL contain provisions that require ARL to treat railcars owned by us and our subsidiaries in the same manner as railcars owned by ARL or other third parties for which ARL serves as manager. However, ARL may provide a leasing customer with railcars owned by others, instead of our railcars, based on a number of factors, such as customers' timing or geographic needs or other specifications.

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

Table of Contents

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 currently 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 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, the availability in the market of other used or new railcars, and changes in applicable regulations that may impact the continued use of older 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 Class I Railroads and 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. Significantly, on May 1, 2015, TC and the Pipeline and Hazardous Materials Safety Administration (PHMSA) of the U.S. Department of Transportation released final rules related to rail transport of certain flammable liquids. In addition,

Table of Contents

railroads and other organizations may impose requirements for railcars that are more stringent than, or in addition to, any governmental regulations that may be adopted.

We are currently reviewing the final tank railcar regulations released on May 1, 2015 in detail to assess their expected impact on our business, including their potential impact on the railcars and components we manufacture, the services we provide and the railcars that we lease, as well as our customers' demand for these products and services. We are unable to predict what impact these or other regulatory changes may have, if any, on our business or the industry as a whole. These rules and the industry's responsiveness in complying with these new rules may 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. As a result of such 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 or railroad standards, 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 those finalized by PHMSA and TC on May 1, 2015, 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. Additionally, in our normal course of business from time to time we enter into contracts with third parties that may lead to contractual disputes. 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, property damage, environmental claims, regulatory claims, contractual disputes and various other matters.

Table of Contents

The success of our railcar 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.

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.

Table of Contents

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. 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.

Table of Contents

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 \$82.22 per share and a low closing sales price of \$30.39 per share in the past twenty-four months as of March 31, 2015. 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. 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 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

Table of Contents

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 negatively impact our business. We are currently designing and implementing an ERP system that supports substantially all of our operating and financial functions. We have experienced delays with this implementation and have terminated and filed suit against a systems implementer we hired to implement this system. Although we have hired a new systems implementer and the project is currently underway, we could experience further 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 and by extending the period of time during which we are relying on less robust systems. 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, 2014, the employees at our sites covered by collective bargaining agreements represent, in the aggregate, approximately 13.7% 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.

Table of Contents

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

As of March 31, 2015, our total debt was \$621.0 million, consisting of borrowings under an indenture entered into by our wholly-owned subsidiary, LLIII.

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 LLIII lease fleet financing, the noteholders may foreclose on all or a portion of the fleet of railcars and related leases used to secure the financing, which are owned by LLIII. 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.

The LLIII lease fleet financing is an obligation of LLIII, is generally non-recourse to ARI, and is secured by a first lien on the subject assets of LLIII consisting of railcars, railcar leases, receivables and related assets, subject to limited exceptions. The Notes are fixed rate secured railcar equipment notes bearing interest at a rate of 2.98% per annum for the Class A-1 Notes and 4.06% per annum for the Class A-2 Notes.

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, refinancing 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.

Table of Contents

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 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 U.S. 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.

Table of Contents

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 2014, or during the three months ended March 31, 2015, 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 condensed consolidated financial statements, no goodwill impairment loss was noted in 2014 or 2015. 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 U.S. and abroad. Demand for our railcars may be significantly affected by

Table of Contents

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. 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, approximately 56% 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 protect and enhance the rights of stockholders in publicly traded corporations, this lack of predictability could be detrimental to our stockholders.

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 global financial markets and economic instability in the U.S. and elsewhere, and further acts of terrorism, violence or war could similarly affect global 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 a broad spectrum of 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.

Table of Contents

ITEM 6. EXHIBITS

Exhibit No.	Description of Exhibit
10.1	Form of 2014 Stock Appreciation Rights Agreement (incorporated by reference to Exhibit 10.1 to ARI's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed with the SEC on May 5, 2014). #
10.2	Repair Services and Support Agreement dated as of April 24, 2015 by and between American Railcar Industries, Inc. and ACF Industries, LLC*^
10.3	Parts Purchasing and Sale Agreement dated as of April 24, 2015 by and between American Railcar Industries, Inc. and ACF Industries, LLC*^
31.1	Rule 13a-14(a), 15d-14(a) Certification of the 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 management contract or compensatory plan or arrangement.

^ Indicates confidential treatment has been requested for certain provisions of this Exhibit pursuant to Exchange Act Rule 24b-2. These provisions have been omitted from the filing and submitted separately to the Securities and Exchange Commission.

Table of Contents

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: 5/6/2015

By: /s/ Jeffrey S. Hollister
Jeffrey S. Hollister, President and Chief Executive Officer

By: /s/ Umesh Choksi
Umesh Choksi, Senior Vice President,
Chief Financial Officer and Treasurer

Table of Contents

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10.2	Repair Services and Support Agreement dated as of April 24, 2015 by and between American Railcar Industries, Inc. and ACF Industries, LLC*^
10.3	Parts Purchasing and Sale Agreement dated as of April 24, 2015 by and between American Railcar Industries, Inc. and ACF Industries, LLC*^
31.1	Rule 13a-14(a), 15d-14(a) Certification of the 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 management contract or compensatory plan or arrangement.

^ Indicates confidential treatment has been requested for certain provisions of this Exhibit pursuant to Exchange Act Rule 24b-2. These provisions have been omitted from the filing and submitted separately to the Securities and Exchange Commission.