

FREIGHTCAR AMERICA, INC.

COMPENSATION COMMITTEE CHARTER

Effective March 30, 2007

I. Purpose

The purpose of our Compensation Committee is to (a) oversee our compensation and employee benefit plans and practices; (b) produce annually a report on executive compensation for inclusion in our proxy statement, in accordance with all applicable rules and regulations and (c) oversee regular succession planning and professional development for the Company's Chief Executive Officer ("CEO") and other senior executive officers.

II. Composition of the Committee

The Committee shall be comprised of at least three directors, each of whom shall be determined by the Board to meet the independence requirements of the Securities and Exchange Commission (the "SEC"), The Nasdaq Stock Market, Inc. ("Nasdaq") and any other applicable governmental or regulatory authorities, each as in effect from time to time. Members of the Committee shall also qualify as "non-employee directors" within the meaning of Rule 16b-3(b)(3) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and "outside directors" within the meaning of Section 162(m) under the Internal Revenue Code of 1986, as amended, and shall satisfy any other necessary standards of independence under the federal securities and tax laws, as amended from time to time.

If a Committee chairperson is not designated by the Board, members of the Committee will designate a chairperson by majority vote.

III. Committee Meetings

The Committee shall meet quarterly or more frequently as circumstances require. A majority of the members of the Committee shall constitute a quorum.

The Committee chairperson shall determine the agenda for each meeting. Materials related to agenda items shall be provided to the Committee members sufficiently in advance of the meeting where necessary to allow the members to prepare for discussion of the items at the meeting. The Committee shall maintain written minutes of its meetings, which shall be maintained with the books and records of the Company. The Committee shall report its activities regularly and directly to the Board and shall make recommendations that the Committee deems advisable.

The Committee may request that any director, officer or employee of the Company, or any other persons whose advice and counsel are sought by the Committee, attend any meeting of

the Committee to provide such pertinent information as the Committee reasonably requests. The CEO may not be present during deliberations or voting concerning his or her own compensation.

IV. Authority and Responsibilities

A. General

1. As required under applicable securities laws and rules, the Committee shall review management's Compensation Discussion and Analysis section (the "CD&A") in the Company's annual proxy statement, discuss the CD&A with the Company's management, and recommend to the Board that the CD&A be included in the Company's annual report on Form 10-K, proxy statement on Schedule 14A or information statement on Schedule 14C. The Committee shall issue a Compensation Committee Report, for inclusion in the Company's annual proxy statement and other SEC filings, stating that the Committee has taken the actions described in the preceding sentence.

2. The Committee shall at least annually report to the Board regarding succession planning and professional development planning and practices for the CEO and other senior management of the Company in the event that any of such individuals retires, is disabled or is otherwise unable to fulfill his or her duties.

3. The Committee shall have the authority to conduct or authorize investigations into any matter within the Committee's scope of responsibilities, and retain, at the Company's expense, such independent counsel, compensation consultant or other consultants and advisers as it deems necessary.

4. The Committee shall have the sole authority to retain and terminate an independent compensation consultant to be used to assist in its evaluation of director and/or senior management compensation and shall have sole authority to terminate the consultant and approve the consultant's fees and other retention terms. The Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors as deemed appropriate or necessary by the Committee.

5. The Committee shall review and assess at least annually the adequacy of this Charter and recommend any proposed changes to the Board for approval. The Committee shall also annually review its own performance.

B. Executive and Director Compensation

1. The Committee shall, in consultation with management, review and recommend for approval by the Board, the Company's general policies relating to senior management compensation, and oversee the development and implementation of such compensation programs.

2. The Committee shall, in consultation with management, review and approve, or recommend for ratification by the Board, senior management compensation, including, to the extent applicable, (a) salary, bonus and incentive compensation levels,

(b) deferred compensation, (c) executive perquisites, (d) equity compensation (including awards to induce employment), (e) employment agreements, severance arrangements, and change in control agreements/provisions, in each case as, when and if appropriate, and (f) other forms of senior management compensation. The Committee shall meet without the presence of senior management when approving or deliberating on CEO compensation but may, in its discretion, invite the CEO to be present during the approval of, or deliberations with respect to, other senior management compensation.

3. The Committee shall review periodically and approve corporate goals and objectives relevant to senior management compensation, evaluate the CEO's performance in light of those goals and objectives, and as a Committee or together with the independent members of the Board, recommend for ratification by the Board the CEO's compensation levels based on this evaluation. In determining the base salary, annual incentive and long-term incentive components of senior management compensation, the Committee will consider multiple factors including the Company's performance, the value of similar incentive awards to senior management s at comparable companies, and the awards given in past years.

4. The Committee shall periodically review and make recommendations to the Board with respect to director compensation for non-employee members of the Board and its committees. In determining the compensation for Board and committee service, the Committee shall consider all relevant factors, including applicable legal, regulatory and listing requirements and compensation of independent directors at comparable companies.

5. The Committee shall not (i) time its release of material non-public information for the purpose of affecting the value of executive compensation, or (ii) set the grant date of its stock option grants to executives to anticipate the release of material non-public information, except in extraordinary circumstances and with full disclosure to shareholders and the public.

6. The Committee may adopt policies regarding the adjustment or recovery of incentive awards or payments if the relevant Company performance measures upon which such incentive awards or payments were based are restated or otherwise adjusted in a manner that would reduce the size of an award or payment.

7. The Committee may consider the accounting and tax treatment, to the Company and to senior management, of each particular element of compensation.

C. Oversight of Benefit Plans

1. The Committee shall oversee, periodically review and make recommendations to the Board with respect to employee benefit plans, including all pension and profit sharing plans, stock option plans, stock appreciation rights plans, incentive plans, stock bonus plans, stock purchase plans, bonus plans, deferred compensation plans and similar programs.

2. The Committee shall have the power and authority to oversee these plans, establish guidelines, interpret plan documents, select participants, approve grants and awards, and exercise such other power and authority as may be permitted or required under such plans.

3. The Committee shall also undertake such additional activities within the scope of its primary function as the Board or the Committee may from time to time determine or as may otherwise be required by law, the Board or the Company's by-laws or charter.