GREENBRIER COMPANIES INC
Form 10-Q
July 09, 2010

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

Form 10-Q

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

for the quarterly period ended May 31, 2010

o **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. 1-13146

THE GREENBRIER COMPANIES, INC.
(Exact name of registrant as specified in its charter)

Oregon	93-0816972
(State of Incorporation)	(I.R.S. Employer Identification No.)

One Centerpointe Drive, Suite 200, Lake Oswego, OR 97035
(Address of principal executive offices) (Zip Code)
(503) 684-7000
(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 þ No o

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 Regulations S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes o No o

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 o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The number of shares of the registrant s common stock, without par value, outstanding on June 29, 2010 was 21,872,320 shares.

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Forward-Looking Statements

From time to time, The Greenbrier Companies, Inc. and its subsidiaries (Greenbrier or the Company) or their representatives have made or may make forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including, without limitation, statements as to expectations, beliefs and strategies regarding the future. Such forward-looking statements may be included in, but not limited to, press releases, oral statements made with the approval of an authorized executive officer or in various filings made by us with the Securities and Exchange Commission, including this filing on Form 10-Q. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements rely on a number of assumptions concerning future events and include statements relating to:

- availability of financing sources and borrowing base for working capital, other business development activities, capital spending and railcar warehousing activities;
- ability to renew, maintain or obtain sufficient lines of credit and performance guarantees on acceptable terms;
- ability to utilize beneficial tax strategies;
- ability to grow our refurbishment & parts and lease fleet and management services businesses;
- ability to obtain sales contracts which provide adequate protection against increased costs of materials and components;
- ability to obtain adequate insurance coverage at acceptable rates;
- ability to obtain adequate certification and licensing of products; and
- short- and long-term revenue and earnings effects of the above items.

The following factors, among others, could cause actual results or outcomes to differ materially from the forward-looking statements:

- fluctuations in demand for newly manufactured railcars or marine barges;
- delays in receipt of orders, risks that contracts may be canceled during their term or not renewed and that customers may not purchase the amount of products or services under the contracts as anticipated;
- ability to maintain sufficient availability of credit facilities and to maintain compliance with or to obtain appropriate amendments to covenants under various credit agreements;
- domestic and global political or economic conditions including such matters as terrorism, war, embargoes or quotas;
- growth or reduction in the surface transportation industry;
- ability to maintain good relationships with third party labor providers or collective bargaining units;
- steel and specialty component price fluctuations, scrap surcharges, steel scrap prices and other commodity price fluctuations and their impact on product demand and margin;

a delay or failure of acquired businesses, start-up operations, or new products or services to compete successfully;

changes in product mix and the mix of revenue levels among reporting segments;

labor disputes, energy shortages or operating difficulties that might disrupt operations or the flow of cargo;

production difficulties and product delivery delays as a result of, among other matters, changing technologies or non-performance of alliance partners, subcontractors or suppliers;

ability to renew or replace expiring customer contracts on satisfactory terms;

ability to obtain and execute suitable contracts for railcars held for sale;

lower than anticipated lease renewal rates, earnings on utilization based leases or residual values for leased equipment;

discovery of defects in railcars resulting in increased warranty costs or litigation;

resolution or outcome of pending or future litigation and investigations;

financial condition of principal customers;

competitive factors, including introduction of competitive products, new entrants into certain of our markets, price pressures, limited customer base and competitiveness of our manufacturing facilities and products;

industry overcapacity and our manufacturing capacity utilization;

decreases in carrying value of inventory, goodwill or other assets due to impairment;

severance or other costs or charges associated with lay-offs, shutdowns, or reducing the size and scope of operations;

changes in future maintenance or warranty requirements;

ability to adjust to the cyclical nature of the railcar industry;
changes in interest rates and financial impacts from interest rates;

ability and cost to maintain and renew operating permits;

actions by various regulatory agencies;

changes in fuel and/or energy prices;

risks associated with our intellectual property rights or those of third parties, including infringement, maintenance, protection, validity, enforcement and continued use of such rights;

expansion of warranty and product support terms beyond those which have traditionally prevailed in the rail supply industry;

availability of a trained work force and availability and/or price of essential raw materials, specialties or components, including steel castings, to permit manufacture of units on order;

failure to successfully integrate acquired businesses;

discovery of unknown liabilities associated with acquired businesses;

failure of or delay in implementing and using new software or other technologies;

ability to replace maturing lease revenue and earnings with revenue and earnings from additions to the lease fleet and management services;

credit limitations upon our ability to maintain effective hedging programs; and

financial impacts from currency fluctuations and currency hedging activities in our worldwide operations.

Any forward-looking statements should be considered in light of these factors. Words such as anticipates, believes, forecast, potential, contemplates, expects, intends, plans, seeks, estimates, could, would, will, expressions identify forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements. Many of the important factors that will determine these results and values are beyond our ability to control or predict. You are cautioned not to put undue reliance on any forward-looking statements. Except as otherwise required by law, we do not assume any obligation to update any forward-looking statements.

All references to years refer to the fiscal years ended August 31st unless otherwise noted.

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THE GREENBRIER COMPANIES, INC.

PART I. FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

Consolidated Balance Sheets

(In thousands, unaudited)

	May 31, 2010	August 31, 2009(1)
Assets		
Cash and cash equivalents	$ 116,595	$ 76,187
Restricted cash	1,715	1,083
Accounts receivable	111,999	113,371
Inventories	166,582	142,824
Assets held for sale	23,011	31,711
Equipment on operating leases	304,560	313,183
Investment in direct finance leases	7,368	7,990
Property, plant and equipment, net	127,128	127,974
Goodwill	137,066	137,066
Intangibles and other assets	94,695	96,902
	$ 1,090,719	$ 1,048,291
Liabilities and Equity		
Revolving notes	$ 11,753	$ 16,041
Accounts payable and accrued liabilities	179,248	170,889
Losses in excess of investment in de-consolidated subsidiary	15,313	15,313
Deferred income taxes	85,029	69,199
Deferred revenue	11,104	19,250
Notes payable	506,382	525,149
Commitments and contingencies (Note 18)		
Equity:		
Greenbrier		
Preferred stock without par value; 25,000 shares authorized; none outstanding		
Common stock without par value; 50,000 shares authorized; 21,872 and 17,094 shares outstanding at May 31, 2010 and August 31, 2009	22	17
Additional paid-in capital	171,606	117,060
Retained earnings	113,006	116,439
Accumulated other comprehensive loss	(11,923)	(9,790)
Total stockholders equity Greenbrier	272,711	223,726
Noncontrolling interest	9,179	8,724
Total equity	281,890	232,450
	$ 1,090,719	$ 1,048,291

(1) As adjusted for the effects of Accounting Standards Codification (ASC) 470 20 *Debt Debt with Conversion and Other Options.* See Note 2 to the Consolidated Financial Statements. The prior year presentation was adjusted to conform to the adoption of ASC 810-10-65 *Consolidation Transition related to SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51.*

The accompanying notes are an integral part of these statements

THE GREENBRIER COMPANIES, INC.

Consolidated Statements of Operations

(In thousands, except per share amounts, unaudited)

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2010	2009[1]	2010	2009[1]
Revenue				
Manufacturing	$ 77,877	$ 105,986	$ 226,020	$ 354,278
Refurbishment & Parts	112,186	120,190	299,497	374,150
Leasing & Services	21,392	18,272	57,582	59,281
	211,455	244,448	583,099	787,709
Cost of revenue				
Manufacturing	68,931	100,847	206,386	359,772
Refurbishment & Parts	96,725	104,859	263,398	331,613
Leasing & Services	9,931	12,049	31,638	35,525
	175,587	217,755	501,422	726,910
Margin	35,868	26,693	81,677	60,799
Other costs				
Selling and administrative	17,519	15,886	50,686	48,131
Interest and foreign exchange	9,536	11,710	33,053	32,627
Special charges		55,667		55,667
	27,055	83,263	83,739	136,425
Earnings (loss) before income taxes and loss from unconsolidated affiliates	8,813	(56,570)	(2,062)	(75,626)
Income tax benefit (expense)	(2,418)	5,217	1,025	11,820
Earnings (loss) before loss from unconsolidated affiliates	6,395	(51,353)	(1,037)	(63,806)
Loss from unconsolidated affiliates	(318)	(457)	(632)	(274)
Net earnings (loss)	6,077	(51,810)	(1,669)	(64,080)
Net (earnings) loss attributable to noncontrolling interest	(1,514)	687	(1,764)	1,606
Net earnings (loss) attributable to Greenbrier	$ 4,563	$ (51,123)	$ (3,433)	$ (62,474)
Basic earnings (loss) per common share	$ 0.25	$ (3.04)	$ (0.20)	$ (3.71)
Diluted earnings (loss) per common share	$ 0.23	$ (3.04)	$ (0.20)	$ (3.71)

Weighted average common shares:				
Basic	18,220	16,840	17,477	16,840
Diluted	20,058	16,840	17,477	16,840

(1) As adjusted for the effects of Accounting Standards Codification (ASC) 470 20 *Debt Debt with Conversion and Other Options.* See Note 2 to the Consolidated Financial Statements. The prior year presentation was adjusted to conform to the adoption of ASC 810-10-65 *Consolidation Transition related to SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51.*

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THE GREENBRIER COMPANIES, INC.

Consolidated Statement of Equity and Comprehensive Income (Loss)

(In thousands, except per share amounts, unaudited)

	Attributable to Greenbrier						
	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive Income (Loss)	Attributable to Noncontrolling Interest	Total
	Shares	Amount	Capital	Earnings			Equity
Balance September 1, 2009	17,094	$ 17	$ 117,060	$ 116,439	$ (9,790)	$ 8,724	$ 232,450
Net earnings (loss)				(3,433)		1,764	(1,669)
Translation adjustment					(2,500)		(2,500)
Reclassification of derivative financial instruments recognized in net loss (net of tax effect)					(564)		(564)
Unrealized gain on derivative financial instruments (net of tax effect)					931		931
Comprehensive loss							(3,802)
Noncontrolling interest adjustments						(1,309)	(1,309)
ASC 470-20 adjustment for partial convertible note retirement (net of tax)			(2,080)				(2,080)
Net proceeds from equity offering	4,500	5	52,720				52,725
Restricted stock awards (net of cancellations)	271		3,178				3,178
Unamortized restricted stock			(3,178)				(3,178)
Restricted stock amortization			4,264				4,264
Stock options exercised	7		29				29
Excess tax expense of stock options			(387)				(387)

exercised							
Balance May 31, 2010	21,872	$ 22	$ 171,606	$ 113,006	$ (11,923)	$ 9,179	$ 281,890

	Attributable to Greenbrier						
	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive Income (Loss)	Attributable to Noncontrolling Interest	Total
	Shares	Amount	Capital	Earnings			Equity
Balance September 1, 2008	16,606	$ 17	$ 99,677	$ 174,831	$ (1,305)	$ 8,618	$ 81,838
Net loss				(62,474)		(1,606)	(64,080)
Translation adjustment					(7,704)		(7,704)
Reclassification of derivative financial instruments recognized in net loss (net of tax effect)					(466)		(466)
Unrealized loss on derivative financial instruments (net of tax effect)					(8,972)		(8,972)
Comprehensive loss							(81,222)
Investment by joint venture partner						1,400	1,400
Noncontrolling interest adjustments						(12)	(12)
Cash dividends ($0.12 per share)				(2,001)			(2,001)
Restricted stock awards (net of cancellations)	485		1,252				1,252
Unamortized restricted stock			(1,252)				(1,252)
Restricted stock amortization			3,650				3,650
Stock options exercised	3		23				23
Excess tax expense of stock options exercised			(764)				(764)
Balance May 31, 2009	17,094	$ 17	$ 102,586	$ 110,356	$ (18,447)	$ 8,400	$ 202,912

As adjusted for the effects of Accounting Standards Codification (ASC) 470 20 *Debt Debt with Conversion and Other Options.* See Note 2 to the Consolidated Financial Statements. The prior year presentation was adjusted to conform to the adoption of ASC 810-10-65 *Consolidation Transition related to SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51.*

The accompanying notes are an integral part of these statements

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THE GREENBRIER COMPANIES, INC.

Consolidated Statements of Cash Flows
(In thousands, unaudited)

	Nine Months Ended May 31, 2010	Nine Months Ended May 31, 2009[1]
Cash flows from operating activities		
Net loss	$ (1,669)	$ (64,080)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Deferred income taxes	17,084	(11,538)
Depreciation and amortization	27,967	28,259
(Gain) loss on sales of equipment	(4,032)	63
Special charges		55,667
Accretion of debt discount	6,701	2,840
Gain on extinguishment of debt	(2,266)	
Other	2,798	940
Decrease (increase) in assets:		
Accounts receivable	(1,615)	58,068
Inventories	(25,943)	63,098
Assets held for sale	9,252	13,592
Other	4,419	218
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	11,352	(52,991)
Deferred revenue	(7,824)	(4,895)
Net cash provided by operating activities	36,224	89,241
Cash flows from investing activities		
Principal payments received under direct finance leases	358	319
Proceeds from sales of equipment	14,794	4,488
Investment in unconsolidated subsidiary	(650)	
Contract placement fee	(6,050)	
Decrease (increase) in restricted cash	(632)	431
Capital expenditures	(28,266)	(33,505)
Net cash used in investing activities	(20,446)	(28,267)
Cash flows from financing activities		
Changes in revolving notes	(2,130)	(28,184)
Net proceeds from issuance of notes payable	1,712	
Repayments of notes payable	(28,357)	(15,348)
Net proceeds from equity offering	52,725	
Dividends		(2,001)
Investment by joint venture partner		1,400
Other	28	2,909
Net cash provided by (used in) financing activities	23,978	(41,224)

Effect of exchange rate changes	652	(8,683)
Increase in cash and cash equivalents	40,408	11,067
Cash and cash equivalents		
Beginning of period	76,187	5,957
End of period	$ 116,595	$ 17,024
Cash paid during the period for		
Interest	$ 27,580	$ 30,592
Income taxes paid (refunded)	$ (13,943)	$ 1,899
Supplemental disclosure of non-cash activity:		
Adjustment to tax reserves	$	$ 7,415(2)

(1) As adjusted for the effects of Accounting Standards Codification (ASC) 470 20 *Debt Debt with Conversion and Other Options.* See Note 2 to the Consolidated Financial Statements. The prior year presentation was adjusted to conform to the adoption of ASC 810-10-65 *Consolidation Transition related to SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51.*

(2) Release of a tax reserve that was initially recorded as goodwill on the acquisition of

Meridian Rail Holding Corp. The contingency requiring this reserve lapsed in the first quarter of fiscal 2009.

The accompanying notes are an integral part of these statements

THE GREENBRIER COMPANIES, INC.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 1 Interim Financial Statements

The Condensed Consolidated Financial Statements of The Greenbrier Companies, Inc. and Subsidiaries (Greenbrier or the Company) as of May 31, 2010 and for the three and nine months ended May 31, 2010 and 2009 have been prepared without audit and reflect all adjustments (consisting of normal recurring accruals) which, in the opinion of management, are necessary for a fair presentation of the financial position and operating results for the periods indicated. The results of operations for the three and nine months ended May 31, 2010 are not necessarily indicative of the results to be expected for the entire year ending August 31, 2010.

Certain notes and other information have been condensed or omitted from the interim financial statements presented in this Quarterly Report on Form 10-Q. Therefore, these financial statements should be read in conjunction with the Consolidated Financial Statements contained in the Company s 2009 Annual Report on Form 10-K.

Management estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires judgment on the part of management to arrive at estimates and assumptions on matters that are inherently uncertain. These estimates may affect the amount of assets, liabilities, revenue and expenses reported in the financial statements and accompanying notes and disclosure of contingent assets and liabilities within the financial statements. Estimates and assumptions are periodically evaluated and may be adjusted in future periods. Actual results could differ from those estimates.

Reclassifications Certain reclassifications have been made to prior year s Consolidated Financial Statements to conform to the 2010 presentation of noncontrolling interest in subsidiaries due to the adoption of ASC 810-10-65 *Consolidations Transition related to SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB 51.*

Initial Adoption of Accounting Policies In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 141R, *Business Combinations*. This statement, which has been codified within ASC 805, *Business Combinations*, establishes the principles and requirements for how an acquirer recognizes and measures the assets acquired, liabilities assumed, and noncontrolling interest; recognizes and measures goodwill; and identifies disclosures. This statement was effective for the Company for business combinations entered into on or after September 1, 2009.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51*. This statement, which has been codified within ASC 810, *Consolidations*, establishes reporting standards for noncontrolling interests in subsidiaries. This statement changed the presentation of noncontrolling interests in subsidiaries in the financial statements for the Company beginning September 1, 2009 and the presentation and disclosure has been retrospectively applied for all periods presented.

In May 2008, the FASB issued FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement).* This guidance specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity s nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. This guidance, which has been codified within ASC 470, *Debt*, was effective for the Company beginning September 1, 2009 with respect to its outstanding convertible debt. This guidance required retrospective adjustments for all periods the Company had the convertible debt outstanding. See Note 2 for discussion of the impact on the Consolidated Financial Statements.

Prospective Accounting Changes **-** In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* which provides guidance with respect to consolidation of variable interest entities. This statement retains the scope of Interpretation 46(R) with the addition of entities previously considered qualifying special-purpose entities, as the concept of these entities was eliminated in SFAS No. 166, *Accounting for Transfers of Financial Assets*. This statement replaces the quantitative-based risks and rewards calculation for determining the primary beneficiary of a variable interest entity. The approach focuses on identifying which enterprise has the power to direct activities that most significantly impact the entity s economic performance and the obligation to

absorb the losses or receive the benefits from the entity. It is possible that application of this revised guidance will change an enterprise s assessment of involvement with variable interest entities. This statement, which has been codified within ASC 810, *Consolidations,* is effective for the Company as of September 1, 2010. Management believes this statement will not have an impact on its Consolidated Financial Statements. The Company will continue to evaluate the impact of this statement, if any, as the effective date approaches.

Note 2 Adoption of ASC 470-20 *Debt Debt with Conversion and Other Options*

On September 1, 2009 the Company adopted accounting guidance for debt instruments that may be settled in cash upon conversion. This guidance was retrospectively applied to the Company s outstanding convertible senior notes with a coupon rate of 2 %. In accordance with ASC 470-20, the Company separately accounts for the liability and equity components in a manner that reflects the entity s non convertible debt borrowing rate. The liability component is recognized as the fair value of a similar instrument that does not have a conversion feature at issuance. The equity component, which is the conversion feature at issuance, is recognized as the difference between the proceeds from the issuance of the notes and the fair value of the liability component. The Company recognized an effective interest rate of 7$^{3}/4$% on the carrying value of the debt.

On September 1, 2009 the Company retrospectively recorded on its Consolidated Balance Sheet a debt discount of $17.0 million, a deferred tax liability of $6.7 million and a $10.3 million increase to equity. The debt discount is being amortized using the effective interest rate method through May 2013 and the amortization expense is included in Interest and foreign exchange on the Consolidated Statements of Operations. The pre-tax amortization was $0.9 million and $3.0 million for the three and nine months ended May 31, 2010 and $1.0 million and $2.8 million for the three and nine months ended May 31, 2009. On April 20, 2010 the Company retired $22.2 million of outstanding convertible senior notes which resulted in a reduction of the debt discount by $3.2 million. Pre-tax amortization, after the early debt retirement of $22.2 million, is expected to be approximately $3.8 million in the year ending August 31, 2010, $3.5 million in the year ending August 31, 2011, $3.7 million in the year ending August 31, 2012 and $2.8 million in the year ending August 31, 2013.

The retrospective application of this guidance adjusted Interest and foreign exchange and Net loss attributable to Greenbrier for the three and nine months ended May 31, 2009 as indicated below:

For the three months ended May 31, 2009
(In thousands, except per share amounts)

	Interest and foreign exchange	Net loss attributable to Greenbrier	Loss per common share: Basic	Loss per common share: Diluted
Previously reported	$ 10,749	$ (50,538)	$ (3.00)	$ (3.00)
Adjustment	961	(585)	(0.04)	(0.04)
Revised	$ 11,710	$ (51,123)	$ (3.04)	$ (3.04)

For the nine months ended May 31, 2009
(In thousands, except per share amounts)

	Interest and	Net loss	Loss per common share:

	foreign exchange	attributable to Greenbrier	Basic	Diluted
Previously reported	$ 29,787	$ (60,746)	$ (3.61)	$ (3.61)
Adjustment	2,840	(1,728)	(0.10)	(0.10)
Revised	$ 32,627	$ (62,474)	$ (3.71)	$ (3.71)

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Note 3 Special Charges

As of May 2009, the Company recorded special charges of $55.7 million associated with the impairment of goodwill. These charges consist of $1.3 million in the Manufacturing segment, $3.1 million in the Leasing & Services segment and $51.3 million in the Refurbishment & Parts segment.

Note 4 Inventories

(In thousands)

	May 31, 2010	August 31, 2009
Supplies and raw materials	$ 122,036	$ 113,935
Work-in-process	48,685	33,771
Lower of cost or market adjustment	(4,139)	(4,882)
	$ 166,582	$ 142,824

Note 5 Assets Held for Sale

(In thousands)

	May 31, 2010	August 31, 2009
Finished goods parts	$ 19,338	$ 17,894
Railcars held for sale	3,673	13,625
Railcars in transit to customer		192
	$ 23,011	$ 31,711

Note 6 Intangibles and other assets

Intangible assets with indefinite useful lives are not amortized and are periodically evaluated for impairment. Intangible assets that are determined to have finite lives are amortized over their useful lives.

The following table summarizes the Company s identifiable intangible assets balance:

(In thousands)

	May 31, 2010	August 31, 2009
Intangible assets subject to amortization:		
Customer relationships	$ 66,825	$ 66,825
Accumulated amortization	(12,663)	(9,549)
Other intangibles	4,918	5,187
Accumulated amortization	(2,671)	(2,289)
	56,409	60,174
Intangible assets not subject to amortization	912	912
Prepaid and other assets	37,374	35,816

Total intangible and other assets	$ 94,695	$ 96,902

Intangible assets with finite lives are amortized using the straight line method over their estimated useful lives and include the following: proprietary technology, 10 years; trade names, 5 years; patents, 11 years; and long-term customer agreements and relationships, 5 to 20 years. Amortization expense for the three and nine months ended May 31, 2010 was $1.2 million and $3.6 million and for the three and nine months ended May 31, 2009 was $1.2

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million and $3.6 million. Amortization expense for the years ending August 31, 2010, 2011, 2012, 2013 and 2014 is expected to be $4.8 million, $4.7 million, $4.5 million, $4.4 million and $4.3 million.

Note 7 Revolving Notes

All amounts originating in foreign currency have been translated at the May 31, 2010 exchange rate for the following discussion. As of May 31, 2010 senior secured credit facilities, consisting of three components, aggregated $121.8 million. As of May 31, 2010 a $100.0 million revolving line of credit secured by substantially all the Company s assets in the United States not otherwise pledged as security for term loans, maturing November 2011, was available to provide working capital and interim financing of equipment, principally for the United States and Mexican operations. Advances under this facility bear interest at variable rates that depend on the type of borrowing and the defined ratio of debt to total capitalization. Available borrowings under the credit facility are generally based on defined levels of inventory, receivables, property, plant and equipment and leased equipment, as well as total debt to consolidated capitalization and interest coverage ratios. In addition, as of May 31, 2010, lines of credit totaling $16.1 million secured by substantially all of the Company s European assets, with various variable rates, were available for working capital needs of the European manufacturing operation. European credit facilities are continually being renewed. Currently these European credit facilities have maturities that range from August 2010 through June 2011. The Company s Mexican joint venture obtained a line of credit of $5.7 million secured by certain of the joint venture s accounts receivable and inventory. Advances under this facility bear interest at LIBOR plus 3.0% and are due 180 days after the date of borrowing. Currently the outstanding borrowings have maturities that range from July 2010 to August 2010.

As of May 31, 2010 outstanding borrowings under these facilities consists of $3.6 million in letters of credit outstanding under the North American credit facility, $6.1 million in revolving notes outstanding under the European credit facilities and $5.7 million outstanding under the joint venture credit facility.

Note 8 Accounts Payable and Accrued Liabilities

(In thousands)

	May 31, 2010	August 31, 2009
Trade payables and other accrued	$ 138,833	$ 128,807
Accrued payroll and related liabilities	18,516	16,332
Accrued maintenance	13,400	16,206
Accrued warranty	6,921	8,184
Other	1,578	1,360
	$ 179,248	$ 170,889

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Note 9 Warranty Accruals

Warranty costs are estimated and charged to operations to cover a defined warranty period. The estimated warranty cost is based on the history of warranty claims for each particular product type. For new product types without a warranty history, preliminary estimates are based on historical information for similar product types. The warranty accruals, included in accounts payable and accrued liabilities on the Consolidated Balance Sheets, are reviewed periodically and updated based on warranty trends and expirations of warranty periods.

Warranty accrual activity:

(In thousands)

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2010	2009	2010	2009
Balance at beginning of period	$ 7,480	$ 10,146	$ 8,184	$ 11,873
Charged to cost of revenue	243	456	344	1,132
Payments	(743)	(892)	(1,540)	(2,502)
Currency translation effect	(59)	189	(67)	(604)
Balance at end of period	$ 6,921	$ 9,899	$ 6,921	$ 9,899

Note 10 Notes Payable

(In thousands)

	May 31, 2010	August 31, 2009
Senior unsecured notes	$ 235,000	$ 235,000
Convertible senior notes	77,800	100,000
Term loans	212,704	219,075
Other notes payable	298	398
	525,802	554,473
Debt discount net of amortization	(19,420)	(29,324)
	$ 506,382	$ 525,149

Senior unsecured notes, due 2015, bear interest at a fixed rate of 8 %, paid semi-annually in arrears on May 15th and November 15th of each year. Payment on the notes is guaranteed by substantially all of the Company s domestic subsidiaries.

Convertible senior notes, due 2026, bear interest at a fixed rate of 2 %, paid semi-annually in arrears on May 15th and November 15th. The Company will also pay contingent interest of % on the notes in certain circumstances commencing with the six-month period beginning May 15, 2013. Payment on the convertible notes is guaranteed by substantially all of the Company s domestic subsidiaries. The convertible senior notes will be convertible upon the occurrence of specified events into cash and shares, if any, of Greenbrier s common stock at an initial conversion rate of 20.8125 shares per $1,000 principal amount of the notes (which is equal to an initial conversion price of $48.05 per share). The initial conversion rate is subject to adjustment upon the occurrence of certain events, as defined. On or after May 15, 2013, Greenbrier may redeem all or a portion of the notes at a redemption price equal to 100% of the principal amount of the notes plus accrued and unpaid interest. On May 15, 2013, May 15, 2016 and May 15, 2021 and in the event of certain fundamental changes, holders may require the Company to repurchase all or a portion of their notes at a price equal to 100% of the principal amount of the notes plus accrued and unpaid interest. In April 2010, the Company retired $22.2 million of the convertible notes early and realized a gain of $2.3 million which was recorded as Interest and foreign exchange in the Consolidated Statement of Operations. ASC 470-20 was effective for the Company beginning September 1, 2009 in respect to the outstanding convertible senior notes. See Note 2, Adoption of ASC 470-20 *Debt Debt with Conversion and Other Options* for the expected impact to the Company s Consolidated Financial Statements.

On March 30, 2007, the Company issued a $100.0 million senior term note secured by a pool of leased railcars. The note bears a floating interest rate of LIBOR plus 1% with principal of $0.7 million paid quarterly in arrears and a balloon payment of $81.8 million due at the end of the seven-year loan term. On May 9, 2008, the Company issued an additional $50.0 million senior term note secured by a pool of leased railcars. The note bears a floating interest rate of LIBOR plus 1% with principal of $0.3 million paid quarterly in arrears and a balloon payment of $41.2 million due at the end of the seven-year loan term. An interest rate swap agreement was entered into to swap the floating interest rate of LIBOR plus 1% to a fixed rate of 4.24%. At May 31, 2010, the notional amount of the agreement was $46.0 million and matures in March 2014. On June 10, 2009, the Company issued a $75.0 million term loan, maturing in June 2012, which is principally secured by all of a subsidiary s assets. The loan contains no financial covenants, is non-amortizing and requires mandatory prepayments under certain circumstances. The balance as of May 31, 2010 was $71.8 million and has a variable interest rate of LIBOR plus 3.5% paid quarterly in arrears with a balloon payment due at the end of the three-year loan term. In connection with the loan, the Company issued warrants to purchase 3.378 million shares of its common stock at $6 per share, both subject to adjustment in certain circumstances. The warrants have a five-year term. The warrants were valued at $13.4 million, and recorded as a debt discount (reducing Notes payable) and Additional paid-in capital (increasing Stockholders equity Greenbrier) on the Consolidated Balance Sheet. This debt discount will be amortized and recorded as Interest and foreign exchange in the Statements of Operations over the life of the loan. The amortization of the debt discount was $1.5 million and $3.7 million for the three and nine months ended May 31, 2010 and is expected to be $4.8 million for the year ending August 31, 2010, $4.3 million for the year ending August 31, 2011 and $3.2 million for the year ending August 31, 2012.

The revolving and operating lines of credit, along with notes payable, contain covenants with respect to the Company and various subsidiaries, the most restrictive of which, among other things, limit the ability to: incur additional indebtedness or guarantees; pay dividends or repurchase stock; enter into sale leaseback transactions; create liens; sell assets; engage in transactions with affiliates, including joint ventures and non U.S. subsidiaries, including but not limited to loans, advances, equity investments and guarantees; enter into mergers, consolidations or sales of substantially all the Company s assets; and enter into new lines of business. The covenants also require certain maximum ratios of debt to total capitalization and minimum levels of fixed charges (interest and rent) coverage.

Principal payments on the notes payable are as follows:

(In thousands)

Year ending August 31,	
2010 (Remaining three months)	$ 1,051
2011	4,577
2012	76,331
2013	4,466
2014	84,677
Thereafter	354,700
	$ 525,802

Note 11 Shareholders Equity

On May 12, 2010, the Company issued 4,000,000 shares of its common stock at a price of $12.50 per share, less underwriting commissions, discounts and expenses. On May 19, 2010, an additional 500,000 shares were issued pursuant to the 30-day over-allotment option exercised by the underwriters. Greenbrier s management has broad discretion to allocate the net proceeds of $52.7 million from the offering for such purposes as working capital, capital expenditures, repayment or repurchase of a portion of the Company s indebtedness or acquisitions of, or investment in, complementary businesses and products. The Company has no current agreements or commitments to use these proceeds to repay or repurchase any indebtedness or to make any material acquisitions or investments. Pending such uses, the Company is investing the net proceeds from the offering in highly liquid, investment-grade securities.

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Note 12 Comprehensive Income (Loss)

The following is a reconciliation of net income (loss) to comprehensive income (loss):

	Three Months Ended May 31,		Nine Months Ended May 31,	
(In thousands)	2010	2009[(1)]	2010	2009[(1)]
Net income (loss)	$ 6,077	$ (51,810)	$ (1,669)	$ (64,080)
Reclassification of derivative financial instruments recognized in net loss, net of tax	(284)	(233)	(564)	(467)
Unrealized gain (loss) on derivative financial instruments, net of tax	(760)	4,061	931	(8,971)
Foreign currency translation adjustment	(2,233)	2,187	(2,500)	(7,704)
Comprehensive income (loss) before noncontrolling interest	2,800	(45,795)	(3,802)	(81,222)
Comprehensive income (loss) attributable to noncontrolling interest	(1,514)	687	(1,764)	1,606
Comprehensive income (loss) attributable to Greenbrier	$ 1,286	$ (45,108)	$ (5,566)	$ (79,616)

(1) As adjusted for the effects of ASC 470 20 *Debt Debt with Conversion and Other Options.* See Note 2.

Accumulated other comprehensive income (loss), net of tax effect, consisted of the following:

(In thousands)	Unrealized Gains (Losses) on Derivative Financial Instruments	Pension Plan Adjustment	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Income (Loss)
Balance, September 1, 2009	$ (2,506)	$ (6,999)	$ (285)	$ (9,790)
Nine month activity	367		(2,500)	(2,133)
Balance, May 31, 2010	$ (2,139)	$ (6,999)	$ (2,785)	$ (11,923)

Note 13 Earnings (Loss) Per Share

The shares used in the computation of the Company s basic and diluted earnings (loss) per common share attributable to Greenbrier are reconciled as follows:

	Three Months Ended May 31,		Nine Months Ended May 31,	
(In thousands)	2010	2009	2010	2009
Weighted average basic common shares outstanding	18,220	16,840	17,477	16,840
Dilutive effect of employee stock options [(1)]	6			

Dilutive effect of warrants-treasury stock method (1)	1,832			
Weighted average diluted common shares outstanding	20,058	16,840	17,477	16,840

(1) Dilutive effect of common stock equivalents is excluded from per share calculations for the nine months ended May 31, 2010 and the three and nine months ended May 31, 2009 due to net loss. The dilutive effect of warrants equivalent to 1.6 million shares were excluded from the calculation of diluted earnings (loss) per common share attributable to Greenbrier for the nine months ended May 31, 2010 as these warrants were anti-dilutive.

THE GREENBRIER COMPANIES, INC.

Note 14 Stock Based Compensation

All stock options vested prior to September 1, 2005 and accordingly no compensation expense was recorded for stock options for the three and nine months ended May 31, 2010 and 2009. The value of stock awarded under restricted stock grants is amortized as compensation expense over the vesting period which is generally two to five years. For the three and nine months ended May 31, 2010, $1.5 million and $4.3 million in compensation expense was recorded for restricted stock grants. For the three and nine months ended May 31, 2009, $1.3 million and $3.7 million in compensation expense was recorded for restricted stock grants.

Note 15 Related Party Transactions

The Company follows a policy that all proposed transactions with directors, officers, five percent shareholders and their affiliates will be entered into only if such transactions are on terms no less favorable to the Company than could be obtained from unaffiliated parties, are reasonably expected to benefit the Company and are approved by a majority of the disinterested, independent members of the Board of Directors.

Aircraft Usage Policy. William Furman, Director, President and Chief Executive Officer of the Company, is a part owner of private aircraft managed by a private independent management company. From time to time, the Company s business requires charter use of privately-owned aircraft. In such instances, it is possible that charters may be placed with the Company that manages Mr. Furman s aircraft. In such event, any such use will be subject to the Company s travel and entertainment policy and the fees paid to the management company will be no less favorable than would have been available to the Company for similar services provided by unrelated parties.

On June 10, 2009, the Company entered into a transaction with affiliates of WL Ross & Co., LLC (WL Ross) which provides for a $75.0 million secured term loan with the potential to increase the loan to $150.0 million. In connection with the loan, on June 10, 2009, the Company also entered into a warrant agreement pursuant to which the Company issued warrants to WL Ross and its affiliates to purchase 3,377,903 shares of the Company s Common Stock with an initial exercise price of $6.00 per share. In connection with Victoria McManus 3% participation in the WL Ross transaction, WL Ross and its affiliates transferred the right to purchase 101,337 shares of Common Stock under the warrant agreement to Ms. McManus, a director of the Company.

Wilbur L. Ross, Jr., founder, Chairman and Chief Executive Officer at WL Ross, and Wendy Teramoto, Senior Vice President at WL Ross, are directors of the Company.

In April 2010, WLR Greenbrier Rail Inc. (WLR-GBX) was formed and acquired a lease fleet of nearly 4,000 railcars valued at approximately $230.0 million. WLR-GBX is wholly owned by affiliates of WL Ross. The Company paid a $6.0 million contract placement fee to WLR-GBX for the right to perform certain management and advisory services and in exchange will receive management and other fee income and incentive compensation tied to the performance of WLR-GBX. Under this agreement the Company has received a nominal amount of fees for the three and nine months ended May 31, 2010. The contract placement fee is accounted for under the equity method and is recorded in Intangibles and other assets on the Consolidated Balance Sheet.

WLR-GBX, owned by affiliates of WL Ross, qualifies as a variable interest entity under ASC 810, *Consolidations*. While the Company acts as asset manager to WLR-GBX, it is not the primary beneficiary. Decisions regarding key business activities that most significantly impact the entity s economic performance, such as asset re-marketing and disposition activities, require the approval of affiliates of WL Ross.

Note 16 Derivative Instruments

Foreign operations give rise to market risks from changes in foreign currency exchange rates. Foreign currency forward exchange contracts with established financial institutions are utilized to hedge a portion of that risk in Pound Sterling and Euro. Interest rate swap agreements are utilized to reduce the impact of changes in interest rates on certain debt. The Company s foreign currency forward exchange contracts and interest rate swap agreements are designated as cash flow hedges, and therefore the effective portion of unrealized gains and losses are recorded in accumulated other comprehensive loss.

At May 31, 2010 exchange rates, forward exchange contracts for the purchase of Polish Zloty and the sale of Euros aggregated $34.8 million. Adjusting the foreign currency exchange contracts to the fair value of the cash flow hedges at May 31, 2010 resulted in an unrealized pre-tax gain of $0.3 million that was recorded in accumulated other comprehensive loss. The fair value of the contracts is included in accounts payable and accrued liabilities when there is a loss, or accounts receivable when there is a gain, on the Consolidated Balance Sheet. As the contracts mature at various dates through December 2011, any such gain or loss remaining will be recognized in manufacturing revenue along with the related transactions. In the event that the underlying sales transaction does not occur or does not occur in the period designated at the inception of the hedge, the amount classified in accumulated other comprehensive loss would be reclassified to the current year s results of operations in Interest and foreign exchange.

At May 31, 2010, an interest rate swap agreement had a notional amount of $46.0 million and matures March 2014. The fair value of this cash flow hedge at May 31, 2010 resulted in an unrealized pre-tax loss of $4.1 million. The loss is included in accumulated other comprehensive loss and the fair value of the contract is included in accounts payable and accrued liabilities on the Consolidated Balance Sheet. As interest expense on the underlying debt is recognized, amounts corresponding to the interest rate swap are reclassified from accumulated other comprehensive loss and charged or credited to interest expense. At May 31, 2010 interest rates, approximately $1.3 million would be reclassified to interest expense in the next 12 months.

Fair Values of Derivative Instruments

	Asset Derivatives			**Liability Derivatives**		
		May 31, 2010	August 31, 2009		May 31, 2010	August 31, 2009
(In thousands)	Balance sheet location	Fair Value	Fair Value	Balance sheet location	Fair Value	Fair Value
Derivatives designated as hedging instruments						
Foreign forward exchange contracts	Accounts receivable	$ 1,013	$ 1,004	Accounts payable and accrued liabilities	$ 430	$ 1,650
Interest rate swap contracts	Other assets			Accounts payable and accrued liabilities	4,074	3,617

		$	1,013	$	1,004		$	4,504	$	5,267

Derivatives not designated as hedging instruments

Foreign forward exchange contracts	Accounts receivable	$	259	$	279	Accounts payable and accrued liabilities	$	62	$	590

The Effect of Derivative Instruments on the Statement of Operations

Derivatives in cash flow hedging relationships	Location of loss recognized in income on derivative	Loss recognized in income on derivative			
		Nine months ended May 31,			
		2010		2009	
Foreign forward exchange contract	Interest and foreign exchange	$	(387)	$	(10,950)

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Derivatives in cash flow hedging relationships	Gain (loss) recognized in OCI on derivatives (effective portion) Nine months ended May 31, 2010	2009	Location of gain (loss) reclassified from accumulated OCI into income	Gain (loss) reclassified from accumulated OCI into income (effective portion) Nine months ended May 31, 2010	2009	Location of loss in income on derivative (ineffective portion and amount excluded from effectiveness testing)	Loss recognized on derivative (ineffective portion and amount excluded from effectiveness testing) Nine months ended May 31, 2010	2009
Foreign forward exchange contracts	$ 358	$ (11,526)	Revenue	$ 387	$ (308)	Interest and foreign exchange	$	$ (2,554)
Interest rate swap contracts	(457)	(3,252)	Interest and foreign exchange	(1,370)	(943)	Interest and foreign exchange		
	$ (99)	$ (14,778)		$ (983)	$ (1,251)		$	$ (2,554)

Note 17 Segment Information

Greenbrier operates in three reportable segments: Manufacturing, Refurbishment & Parts and Leasing & Services. The accounting policies of the segments are described in the summary of significant accounting policies in the Consolidated Financial Statements contained in the Company s 2009 Annual Report on Form 10-K. Performance is evaluated based on margin. Intersegment sales and transfers are generally accounted for at fair value as if the sales or transfers were to third parties. While intercompany transactions are treated like third-party transactions to evaluate segment performance, the revenues and related expenses are eliminated in consolidation and therefore do not impact consolidated results.

The information in the following table is derived directly from the segments internal financial reports used for corporate management purposes.

(In thousands)

	Three Months Ended May 31, 2010	2009(1)	Nine Months Ended May 31, 2010	2009(1)
Revenue:				
Manufacturing	$ 78,166	$ 124,285	$ 226,734	$ 366,618
Refurbishment & Parts	114,773	121,607	303,434	378,209
Leasing & Services	21,671	18,487	58,335	59,724
Intersegment eliminations	(3,155)	(19,931)	(5,404)	(16,842)

	$ 211,455	$ 244,448	$ 583,099	$ 787,709
Margin:				
Manufacturing	$ 8,946	$ 5,139	$ 19,634	$ (5,494)
Refurbishment & Parts	15,461	15,331	36,099	42,537
Leasing & Services	11,461	6,223	25,944	23,756
Segment margin total	35,868	26,693	81,677	60,799
Less: unallocated expenses:				
Selling and administrative	17,519	15,886	50,686	48,131
Interest and foreign exchange	9,536	11,710	33,053	32,627
Special charges		55,667		55,667
Earnings (loss) before income taxes and loss from unconsolidated affiliates	$ 8,813	$ (56,570)	$ (2,062)	$ (75,626)

(1) As adjusted for the effects of ASC 470 20 *Debt Debt with Conversion and Other Options.* See Note 2.

Note 18 Commitments and Contingencies

Environmental studies have been conducted of the Company s owned and leased properties that indicate additional investigation and some remediation on certain properties may be necessary. The Company s Portland, Oregon manufacturing facility is located adjacent to the Willamette River. The United States Environmental Protection Agency (EPA) has classified portions of the river bed, including the portion fronting Greenbrier s facility, as a federal National Priority List or Superfund site due to sediment contamination (the Portland Harbor Site). Greenbrier and more than 90 other parties have received a General Notice of potential liability from the EPA relating to the Portland Harbor Site. The letter advised the Company that it may be liable for the costs of investigation and remediation (which liability may be joint and several with other potentially responsible parties) as well as for natural resource damages resulting from releases of hazardous substances to the site. At this time, ten private and public entities, including the Company, have signed an Administrative Order on Consent (AOC) to perform a remedial investigation/feasibility study (RI/FS) of the Portland Harbor Site under EPA oversight, and several additional entities have not signed such consent, but are nevertheless contributing money to the effort. A draft of the RI study was submitted on October 27, 2009 and it is expected to be approved by EPA and finalized later in 2010. The Feasibility Study is being developed and is expected to be submitted in the first calendar quarter of 2011. In February 2008, the EPA sought information from over 200 additional entities, including other federal agencies in order to determine whether additional General Notice letters were warranted. Eighty-one parties have entered into a non-judicial mediation process to try to allocate costs associated with the Portland Harbor site. Approximately 110 additional parties have signed tolling agreements related to such allocations. On April 23, 2009, the Company and the other AOC signatories filed suit against 69 other parties due to a possible limitations period for some such claims; *Arkema Inc. et al v. A & C Foundry Products, Inc.et al,* US District Court, District of Oregon, Case #3:09-cv-453-PK. All but 12 of these parties elected to sign tolling agreements and be dismissed without prejudice, and the case has now been stayed by the court, pending completion of the RI/FS. In addition, the Company has entered into a Voluntary Clean-Up Agreement with the Oregon Department of Environmental Quality in which the Company agreed to conduct an investigation of whether, and to what extent, past or present operations at the Portland property may have released hazardous substances to the environment. The Company is also conducting groundwater remediation relating to a historical spill on the property which antedates its ownership.

Because these environmental investigations are still underway, the Company is unable to determine the amount of ultimate liability relating to these matters. Based on the results of the pending investigations and future assessments of natural resource damages, Greenbrier may be required to incur costs associated with additional phases of investigation or remedial action, and may be liable for damages to natural resources. In addition, the Company may be required to perform periodic maintenance dredging in order to continue to launch vessels from its launch ways in Portland, Oregon, on the Willamette River, and the river s classification as a Superfund site could result in some limitations on future dredging and launch activities. Any of these matters could adversely affect the Company s business and results of operations, or the value of its Portland property.

From time to time, Greenbrier is involved as a defendant in litigation in the ordinary course of business, the outcome of which cannot be predicted with certainty. The most significant litigation is as follows:

On April 20, 2004, BC Rail Partnership initiated litigation against the Company and TrentonWorks in the Supreme Court of Nova Scotia, alleging breach of contract and negligent manufacture and design of railcars which were involved in a 1999 derailment. Trial had been scheduled for April 2011. The parties have recently settled the litigation at no additional cost to the Company.

Greenbrier s customer, SEB Finans AB (SEB), has raised performance concerns related to a component that the Company installed on 372 railcar units with an aggregate sales value of approximately $20.0 million produced under a contract with SEB. On December 9, 2005, SEB filed a Statement of Claim in an arbitration proceeding in Stockholm, Sweden, against Greenbrier alleging that the cars were defective and could not be used for their intended purpose. A settlement agreement was entered into effective February 28, 2007 pursuant to which the railcar units previously delivered were to be repaired and the remaining units completed and delivered to SEB. Greenbrier is proceeding with repairs of the railcars in accordance with terms of the settlement agreement, though SEB has recently made additional warranty claims, including claims with respect to cars that have been repaired pursuant to the agreement. Greenbrier is evaluating SEB s new warranty claim. Current estimates of potential costs of such repairs do not exceed amounts accrued.

When the Company acquired the assets of the Freight Wagon Division of DaimlerChrysler in January 2000, it acquired a contract to build 201 freight cars for Okombi GmbH, a subsidiary of Rail Cargo Austria AG. Subsequently, Okombi made breach of warranty and late delivery claims against the Company which grew out of design and certification problems. All of these issues were settled as of March 2004. Additional allegations have been made, the most serious of which involve cracks to the structure of the cars. Okombi has been required to remove all 201 freight cars from service, and a formal claim has been made against the Company. Legal, technical and commercial evaluations are on-going to determine what obligations the Company might have, if any, to remedy the alleged defects.

Management intends to vigorously defend its position in each of the open foregoing cases. While the ultimate outcome of such legal proceedings cannot be determined at this time, management believes that the resolution of these actions will not have a material adverse effect on the Company s Consolidated Financial Statements.

The Company is involved as a defendant in other litigation initiated in the ordinary course of business. While the ultimate outcome of such legal proceedings cannot be determined at this time, management believes that the resolution of these actions will not have a material adverse effect on the Company s Consolidated Financial Statements.

The Company delivered 500 railcar units during fiscal year 2009 for which the Company has an obligation to guarantee the purchaser minimum earnings. The obligation expires December 31, 2011. The maximum potential obligation totaled $13.1 million and in certain defined instances the obligation may be reduced due to early termination. The purchaser has agreed to utilize the railcars on a preferential basis, and the Company is entitled to re-market the railcar units when they are not being utilized by the purchaser during the obligation period. Any earnings generated from the railcar units will offset the obligation and be recognized as revenue and margin in future periods. Upon delivery of the railcar units, the entire purchase price was recorded as revenue and paid in full. The minimum earnings due to the purchaser were considered a reduction of revenue and were recorded as deferred revenue. As of May 31, 2010, the Company has $9.1 million of the potential obligation remaining in deferred revenue.

The Company has entered into contingent rental assistance agreements, aggregating $5.9 million, on certain railcars subject to leases that have been sold to third parties. These agreements guarantee the purchasers a minimum lease rental, subject to a maximum defined rental assistance amount, over remaining periods of up to two years. A liability is established and revenue is reduced in the period during which a determination can be made that it is probable that a rental shortfall will occur and the amount can be estimated. For the three and nine months ended May 31, 2010 an accrual of $25 thousand and $0.2 million was recorded to cover future obligations. For the three and nine months ended May 31, 2009 no accrual was made to cover estimated obligations as management determined no additional rental shortfall was probable. The remaining balance of the accrued liability was $0.1 million as May 31, 2010. All of these agreements were entered into prior to December 31, 2002 and have not been modified since.

In accordance with customary business practices in Europe, the Company has $8.9 million in bank and third party performance and warranty guarantee facilities, all of which have been utilized as of May 31, 2010. To date no amounts have been drawn under these performance and warranty guarantee facilities.

At May 31, 2010, an unconsolidated subsidiary had $1.2 million of third party debt, for which the Company has guaranteed 33% or approximately $0.4 million. In the event that there is a change in control or insolvency by any of the three 33% investors that have guaranteed the debt, the remaining investors share of the guarantee will increase proportionately.

The Company has outstanding letters of credit aggregating $3.6 million associated with facility leases and payroll.

Note 19 Fair Value of Financial Instruments

The estimated fair values of financial instruments and the methods and assumptions used to estimate such fair values are as follows:

(In thousands)	Carrying Amount	Estimated Fair Value
Notes payable as of May 31, 2010	$ 506,382	$ 488,160
Notes payable as of August 31, 2009	$ 525,149	$ 508,372

The carrying amount of cash and cash equivalents, accounts and notes receivable, revolving notes, accounts payable and accrued liabilities, foreign currency forward contracts and interest rate swaps is a reasonable estimate of fair value of these financial instruments. Estimated rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate the fair value of notes payable.

Note 20 Fair Value Measures

Certain assets and liabilities are reported at fair value on either a recurring or nonrecurring basis. Fair value, for this disclosure, is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, under a three-tier fair value hierarchy which prioritizes the inputs used in measuring a fair value as follows:

Level 1 observable inputs such as quoted prices in active markets;

Level 2 inputs, other than the quoted market prices in active markets, which are observable, either directly or indirectly; and

Level 3 unobservable inputs for which there is little or no market data available, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value on a recurring basis as of May 31, 2010 are:

(In thousands)	Total	Level 1	Level 2[(1)]	Level 3
Assets:				
Derivative financial instruments	$ 1,272	$	$ 1,272	$
Nonqualified savings plan	6,465	6,465		
Money market and other short term investments	90,620	90,620		
	$ 98,357	$ 97,085	$ 1,272	$
Liabilities:				
Derivative financial instruments	$ 4,566	$	$ 4,566	$

(1) Level 2 assets include derivative financial instruments which are valued based on significant observable

inputs. See Note 16 Derivative Instruments for further discussion.

Assets and liabilities measured at fair value on a recurring basis as of August 31, 2009 are:

(In thousands)	Total	Level 1	Level 2	Level 3
Assets:				
Derivative financial instruments	$ 1,283	$	$ 1,283	$
Nonqualified savings plan	5,951	5,951		
Money market and other short term investments	57,029	57,029		
	$ 64,263	$ 62,980	$ 1,283	$
Liabilities:				
Derivative financial instruments	$ 5,857	$	$ 5,857	$

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Note 21 Guarantor/Non Guarantor

The combined senior unsecured notes (the Notes) issued on May 11, 2005 and November 21, 2005 and convertible senior notes issued on May 22, 2006 are fully and unconditionally and jointly and severally guaranteed by substantially all of Greenbrier s material wholly owned United States subsidiaries: Autostack Company LLC, Greenbrier-Concarril, LLC, Greenbrier Leasing Company LLC, Greenbrier Leasing Limited Partner, LLC, Greenbrier Management Services, LLC, Greenbrier Leasing, L.P., Greenbrier Railcar LLC, Gunderson LLC, Gunderson Marine LLC, Gunderson Rail Services LLC, Meridian Rail Holding Corp., Meridian Rail Acquisition Corp., Meridian Rail Mexico City Corp., Brandon Railroad LLC, Gunderson Specialty Products, LLC and Greenbrier Railcar Leasing, Inc. No other subsidiaries guarantee the Notes including Greenbrier Leasing Limited, Greenbrier Europe B.V., Greenbrier Germany GmbH, WagonySwidnica S.A., Gunderson-Concarril, S.A. de C.V., Mexico Meridian Rail Services, S.A. de C.V., Greenbrier-Gimsa, LLC and Gunderson-Gimsa S de RL de C.V.

The following represents the supplemental condensed consolidating financial information of Greenbrier and its guarantor and non guarantor subsidiaries, as of May 31, 2010 and August 31, 2009 and for the three and nine months ended May 31, 2010 and 2009. The information is presented on the basis of Greenbrier accounting for its ownership of its wholly owned subsidiaries using the equity method of accounting. The equity method investment for each subsidiary is recorded by the parent in intangibles and other assets. Intercompany transactions of goods and services between the guarantor and non guarantor subsidiaries are presented as if the sales or transfers were at fair value to third parties and eliminated in consolidation. Certain reclassifications between Combined Non Guarantor Subsidiaries and Eliminations have been made to prior year s condensed consolidating statements to conform to the current year presentation.

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The Greenbrier Companies, Inc.
Condensed Consolidating Balance Sheet
May 31, 2010
(In thousands, unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	$ 110,111	$	$ 6,484	$	$ 116,595
Restricted cash		1,715			1,715
Accounts receivable	32,627	61,235	18,120	17	111,999
Inventories		117,463	49,119		166,582
Assets held for sale		23,011			23,011
Equipment on operating leases		306,788		(2,228)	304,560
Investment in direct finance leases		7,368			7,368
Property, plant and equipment, net	5,898	85,426	35,804		127,128
Goodwill		137,066			137,066
Intangibles and other assets	518,356	101,001	2,431	(527,093)	94,695
	$ 666,992	$ 841,073	$ 111,958	$ (529,304)	$ 1,090,719
Liabilities and Equity					
Revolving notes	$	$	$ 11,753	$	$ 11,753
Accounts payable and accrued liabilities	6,274	131,760	41,197	17	179,248
Losses in excess of investment in de-consolidated subsidiary	15,313				15,313
Deferred income taxes	6,904	84,747	(6,128)	(494)	85,029
Deferred revenue	659	10,002	443		11,104
Notes payable	365,131	139,835	1,416		506,382
Stockholders equity Greenbrier	272,711	474,729	54,098	(528,827)	272,711
Noncontrolling interest			9,179		9,179
Total Equity	272,711	474,729	63,277	(528,827)	281,890
	$ 666,992	$ 841,073	$ 111,958	$ (529,304)	$ 1,090,719

The Greenbrier Companies, Inc.
Condensed Consolidating Statement of Operations
For the three months ended May 31, 2010
(In thousands, unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue					
Manufacturing	$	$ 14,451	$ 63,560	$ (134)	$ 77,877
Refurbishment & Parts		110,603	1,583		112,186
Leasing & Services	397	21,358		(363)	21,392
	397	146,412	65,143	(497)	211,455
Cost of revenue					
Manufacturing		12,182	56,883	(134)	68,931
Refurbishment & Parts		95,565	1,160		96,725
Leasing & Services		9,950		(19)	9,931
		117,697	58,043	(153)	175,587
Margin	397	28,715	7,100	(344)	35,868
Other costs					
Selling and administrative	8,444	5,469	3,606		17,519
Interest and foreign exchange	8,252	1,036	612	(364)	9,536
	16,696	6,505	4,218	(364)	27,055
Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates	(16,299)	22,210	2,882	20	8,813
Income tax (expense) benefit	7,366	(9,753)	(24)	(7)	(2,418)
Earnings (loss) before earnings (loss) from unconsolidated affiliates	(8,933)	12,457	2,858	13	6,395
Earnings (loss) from unconsolidated affiliates	13,496	(622)		(13,192)	(318)
Net earnings (loss)	4,563	11,835	2,858	(13,179)	6,077
Net earnings attributable to noncontrolling interest			(1,514)		(1,514)

Net earnings (loss) attributable to Greenbrier	$	4,563	$	11,835	$	1,344	$	(13,179)	$	4,563

THE GREENBRIER COMPANIES, INC.

The Greenbrier Companies, Inc.
Condensed Consolidating Statement of Operations
For the nine months ended May 31, 2010
(In thousands, unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue					
Manufacturing	$	$ 70,842	$ 167,829	$ (12,651)	$ 226,020
Refurbishment & Parts		297,913	1,584		299,497
Leasing & Services	1,391	57,397		(1,206)	57,582
	1,391	426,152	169,413	(13,857)	583,099
Cost of revenue					
Manufacturing		64,971	152,705	(11,290)	206,386
Refurbishment & Parts		262,238	1,160		263,398
Leasing & Services		31,693		(55)	31,638
		358,902	153,865	(11,345)	501,422
Margin	1,391	67,250	15,548	(2,512)	81,677
Other costs					
Selling and administrative	24,780	15,655	10,251		50,686
Interest and foreign exchange	28,173	3,215	2,872	(1,207)	33,053
	52,953	18,870	13,123	(1,207)	83,739
Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates	(51,562)	48,380	2,425	(1,305)	(2,062)
Income tax (expense) benefit	20,028	(20,142)	884	255	1,025
Earnings (loss) before earnings (loss) from unconsolidated affiliates	(31,534)	28,238	3,309	(1,050)	(1,037)
Earnings (loss) from unconsolidated affiliates	28,101	(3,510)		(25,223)	(632)
Net earnings (loss)	(3,433)	24,728	3,309	(26,273)	(1,669)
Net earnings attributable to noncontrolling interest			(2,444)	680	(1,764)
	$ (3,433)	$ 24,728	$ 865	$ (25,593)	$ (3,433)

Net earnings (loss) attributable to Greenbrier

THE GREENBRIER COMPANIES, INC.

The Greenbrier Companies, Inc.
Condensed Consolidating Statement of Cash Flows
For the nine months ended May 31, 2010
(In thousands, unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net earnings (loss)	$ (3,433)	$ 24,728	$ 3,309	$ (26,273)	$ (1,669)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:					
Deferred income taxes	10,213	7,210	985	(1,324)	17,084
Depreciation and amortization	1,499	21,109	5,413	(54)	27,967
Gain on sales of equipment		(4,032)			(4,032)
Accretion of debt discount	6,701				6,701
Gain on extinguishment of debt	(2,266)				(2,266)
Other	3,906	186	(1,974)	680	2,798
Decrease (increase) in assets					
Accounts receivable	(11,051)	3,588	4,797	1,051	(1,615)
Inventories		(16,362)	(9,581)		(25,943)
Assets held for sale		9,059	193		9,252
Other	16	5,627	(1,224)		4,419
Increase (decrease) in liabilities					
Accounts payable and accrued liabilities	(1,762)	10,163	2,934	17	11,352
Deferred revenue	(116)	(8,151)	443		(7,824)
Net cash provided by (used in) operating activities	3,707	53,125	5,295	(25,903)	36,224
Cash flows from investing activities:					
Principal payments received under direct finance leases		358			358
Proceeds from sales of equipment		14,794			14,794
Investment in and net advances to unconsolidated subsidiaries	(28,101)	2,228		25,223	(650)
Contract placement fee		(6,050)			(6,050)
Intercompany advances	7,858			(7,858)	
Increase in restricted cash		(632)			(632)
Capital expenditures	(2,268)	(23,287)	(3,391)	680	(28,266)

Net cash provided by (used in) investing activities	(22,511)	(12,589)	(3,391)	18,045	(20,446)
Cash flows from financing activities					
Changes in revolving notes			(2,130)		(2,130)
Intercompany advances	35,992	(36,179)	(7,671)	7,858	
Net proceeds from equity offering	52,725				52,725
Net proceeds from issuance of notes payable			1,712		1,712
Repayments of notes payable	(23,315)	(4,637)	(405)		(28,357)
Other	28				28
Net cash provided by (used in) financing activities	65,430	(40,816)	(8,494)	7,858	23,978
Effect of exchange rate changes		(141)	793		652
Increase (decrease) in cash and cash equivalents	46,626	(421)	(5,797)		40,408
Cash and cash equivalents Beginning of period	63,485	421	12,281		76,187
End of period	$ 110,111	$	$ 6,484	$	$ 116,595

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The Greenbrier Companies, Inc.
Condensed Consolidating Balance Sheet
August 31, 2009
(In thousands, unaudited)

	Parent(1)	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated(1)
Assets					
Cash and cash equivalents	$ 63,485	$ 421	$ 12,281	$ -	$ 76,187
Restricted cash		1,083			1,083
Accounts receivable	65,425	28,213	18,665	1,068	113,371
Inventories		101,100	41,724		142,824
Assets held for sale		31,519	192		31,711
Equipment on operating leases		7,990			7,990
Investment in direct finance leases		314,785		(1,602)	313,183
Property, plant and equipment, net	5,157	83,907	38,910		127,974
Goodwill		137,066			137,066
Intangibles and other	492,406	106,121	2,380	(504,005)	96,902
	$ 626,473	$ 812,205	$ 114,152	$ (504,539)	$ 1,048,291
Liabilities and Equity					
Revolving notes	$	$	$ 16,041	$ -	$ 16,041
Accounts payable and accrued liabilities	8,037	121,578	41,274		170,889
Losses in excess of investment in de-consolidated subsidiary	15,313				15,313
Deferred income taxes	(2,055)	77,537	(7,112)	829	69,199
Deferred revenue	776	18,474			19,250
Notes payable	380,676	144,473			525,149
Stockholders equity Greenbrier	223,726	450,143	55,225	(505,368)	223,726
Noncontrolling interest			8,724		8,724
Total Equity	223,726	450,143	63,949	(505,368)	232,450
	$ 626,473	$ 812,205	$ 114,152	$ (504,539)	$ 1,048,291

(1) As adjusted for the effects of ASC 470 20 *Debt Debt with Conversion and*

Other Options. See Note 2. The presentation was adjusted to conform to the adoption of ASC 810-10-65 *Consolidation Transition related to SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51.*

The Greenbrier Companies, Inc.
Condensed Consolidating Statement of Operations
For the three months ended May 31, 2009
(In thousands, unaudited)

	Parent[1]	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated[1]
Revenue					
Manufacturing	$	$ 64,660	$ 81,428	$ (40,102)	$ 105,986
Refurbishment & Parts		120,190			120,190
Leasing & Services	298	18,252		(278)	18,272
	298	203,102	81,428	(40,380)	244,448
Cost of revenue					
Manufacturing		60,768	79,375	(39,296)	100,847
Refurbishment & Parts		104,859			104,859
Leasing & Services		12,067		(18)	12,049
		177,694	79,375	(39,314)	217,755
Margin	298	25,408	2,053	(1,066)	26,693
Other costs					
Selling and administrative	8,248	5,736	1,902		15,886
Interest and foreign exchange	7,517	1,439	3,145	(391)	11,710
Special charges		55,531		136	55,667
	15,765	62,706	5,047	(255)	83,263
Loss before income taxes and earnings (loss) from unconsolidated affiliates	(15,467)	(37,298)	(2,994)	(811)	(56,570)
Income tax (expense) benefit	4,947	1,250	(1,557)	577	5,217
Loss before earnings (loss) from unconsolidated affiliates	(10,520)	(36,048)	(4,551)	(234)	(51,353)
Earnings (loss) from unconsolidated affiliates	(40,603)	(3,276)		43,422	(457)
Net earnings (loss)	(51,123)	(39,324)	(4,551)	43,188	(51,810)
Net loss attributable to noncontrolling interest			783	(96)	687
	$ (51,123)	$ (39,324)	$ (3,768)	$ 43,092	$ (51,123)

Net earnings (loss) attributable to Greenbrier

(1) As adjusted for the effects of ASC 470 20 *Debt Debt with Conversion and Other Options*. See Note 2. The presentation was adjusted to conform to the adoption of ASC 810-10-65 *Consolidation Transition related to SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51.*

THE GREENBRIER COMPANIES, INC.

The Greenbrier Companies, Inc.
Condensed Consolidating Statement of Operations
For the nine months ended May 31, 2009
(In thousands, unaudited)

	Parent[1]	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated[1]
Revenue					
Manufacturing	$	$ 187,966	$ 260,129	$ (93,817)	$ 354,278
Refurbishment & Parts		374,119	31		374,150
Leasing & Services	978	59,222		(919)	59,281
	978	621,307	260,160	(94,736)	787,709
Cost of revenue					
Manufacturing		194,590	257,782	(92,600)	359,772
Refurbishment & Parts		331,580	33		331,613
Leasing & Services		35,576		(51)	35,525
		561,746	257,815	(92,651)	726,910
Margin	978	59,561	2,345	(2,085)	60,799
Other costs					
Selling and administrative	22,757	19,638	5,736		48,131
Interest and foreign exchange	23,241	4,282	6,375	(1,271)	32,627
Special charges		55,531		136	55,667
	45,998	79,451	12,111	(1,135)	136,425
Loss before income taxes and earnings (loss) in unconsolidated affiliates	(45,020)	(19,890)	(9,766)	(950)	(75,626)
Income tax (expense) benefit	19,291	(8,818)	156	1,191	11,820
Earnings (loss) before earnings (loss) from unconsolidated affiliates	(25,729)	(28,708)	(9,610)	241	(63,806)
Earnings (loss) from unconsolidated affiliates	(36,745)	(6,502)		42,973	(274)
Net earnings (loss)	(62,474)	(35,210)	(9,610)	43,214	(64,080)
Net loss attributable to noncontrolling interest			2,205	(599)	1,606

Net earnings (loss) attributable to Greenbrier	$ (62,474)	$ (35,210)	$ (7,405)	$ 42,615	$ (62,474)

(1) As adjusted for the effects of ASC 470 20 *Debt Debt with Conversion and Other Options.* See Note 2. The presentation was adjusted to conform to the adoption of ASC 810-10-65 *Consolidation Transition related to SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51.*

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THE GREENBRIER COMPANIES, INC.

The Greenbrier Companies, Inc.
Condensed Consolidating Statement of Cash Flows
For the nine months ended May 31, 2009
(In thousands, unaudited)

	Parent[1]	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated[1]
Cash flows from operating activities:					
Net earnings (loss)	$ (62,474)	$ (35,210)	$ (9,610)	$ 43,214	$ (64,080)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:					
Deferred income taxes	(22,921)	11,293	(227)	317	(11,538)
Depreciation and amortization	1,085	21,650	5,575	(51)	28,259
Loss (gain) on sales of equipment		64		(1)	63
Special charges		55,531		136	55,667
Accretion of debt discount	2,840				2,840
Other		947	592	(599)	940
Decrease (increase) in assets					
Accounts receivable	(33)	65,978	(7,827)	(50)	58,068
Inventories		32,361	30,737		63,098
Assets held for sale		8,821	4,590	181	13,592
Other	597	709	3,894	(4,982)	218
Increase (decrease) in liabilities					
Accounts payable and accrued liabilities	18,530	(49,453)	(21,643)	(425)	(52,991)
Deferred revenue	(116)	(1,741)	(3,038)		(4,895)
Net cash provided by (used in) operating activities	(62,492)	110,950	3,043	37,740	89,241
Cash flows from investing activities:					
Principal payments received under direct finance leases		319			319
Proceeds from sales of equipment		4,488			4,488
Investment in and net advances to unconsolidated subsidiaries	30,563	6,229		(36,792)	
Decrease (increase) in restricted cash		(447)	878		431
Capital expenditures	(1,946)	(26,666)	(5,145)	252	(33,505)
Net cash provided by (used in) investing activities	28,617	(16,077)	(4,267)	(36,540)	(28,267)

Cash flows from financing activities					
Changes in revolving notes	(20,100)		(8,084)		(28,184)
Intercompany advances	65,786	(85,882)	20,096		
Repayments of notes payable	(4,339)	(7,137)	(3,872)		(15,348)
Dividends	(2,001)				(2,001)
Investment by joint venture partner			2,600	(1,200)	1,400
Other	2,909				2,909
Net cash provided by (used in) financing activities	42,255	(93,019)	10,740	(1,200)	(41,224)
Effect of exchange rate changes	149	(3,447)	(5,385)		(8,683)
Increase (decrease) in cash and cash equivalents	8,529	(1,593)	4,131		11,067
Cash and cash equivalents					
Beginning of period		1,593	4,364		5,957
End of period	$ 8,529	$	$ 8,495	$	$ 17,024

(1) As adjusted for the effects of ASC 470 20 *Debt Debt with Conversion and Other Options.* See Note 2. The presentation was adjusted to conform to the adoption of ASC 810-10-65 *Consolidation Transition related to SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51.*

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THE GREENBRIER COMPANIES, INC.

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

Executive Summary

We operate in three primary business segments: Manufacturing, Refurbishment & Parts and Leasing & Services. These three business segments are operationally integrated. The Manufacturing segment, operating from four facilities in the United States, Mexico and Poland, produces double-stack intermodal railcars, conventional railcars, tank cars and marine vessels. The Refurbishment & Parts segment performs railcar repair, refurbishment and maintenance activities in the United States and Mexico as well as wheel, axle and bearing servicing, and production and reconditioning of a variety of parts for the railroad industry. The Leasing & Services segment owns approximately 8,000 railcars and provides management services for approximately 225,000 railcars for railroads, shippers, carriers, institutional investors and other leasing and transportation companies in North America. Management evaluates segment performance based on margins. We also produce rail castings for the North American marketplace through an unconsolidated joint venture.

All segments of the North American and European freight car markets in which we operate are currently experiencing depressed demand in a weak economy, market saturation of certain freight car types and tight capital markets. All of the aforementioned contribute to increased caution on the part of our customers and intensified competitive circumstances. These market factors have led and may continue to lead to lower revenues and reduced margins for some of our operations. In response to these market conditions we are concentrating our North American railcar manufacturing at our Mexican joint venture facility in Frontera and limiting new railcar production at our Portland, Oregon facility. In the fourth quarter of 2009, we temporarily shuttered production at our facility in Sahagun, Mexico and have recommenced railcar production during the fourth quarter of 2010.

The rail and marine industries are cyclical in nature. Customer orders may be subject to cancellations and contain terms and conditions customary in the industry. Historically, little variation has been experienced between the product ordered and the product actually delivered. Recent economic conditions have caused some customers to consider renegotiation, delay or cancellation of orders. Our railcar and marine backlogs are not necessarily indicative of future results of operations.

In December 2009 we modified our long-term new railcar contract with General Electric Railcar Services Corporation (GE). Under the terms of the modified contract, we will deliver up to 6,000 railcars with the first 3,800 tank cars and hopper cars expected to be built by July 2013. The purchase price is subject to adjustments for changes in the material costs. The remaining 2,200 tank and hopper cars are subject to fulfillment of certain contractual conditions by both parties in their sole discretion and would occur over the five-year period following the completion of the 3,800 units. In addition, we have retained the right of first refusal, subject to certain qualifications, to manufacture all new railcar builds for GE through December 2018. We will share with Greenbrier-GIMSA LLC in an equitable manner all of the benefits (net of any expenses) received from GE as a result of the amended agreement.

Multi-year supply agreements are a part of rail industry practice. Our total manufacturing backlog of railcars for sale and lease, as of May 31, 2010 was approximately 4,400 units with an estimated value of $370 million compared to 14,100 units valued at $1.25 billion as of May 31, 2009. Based on current production plans, approximately 800 units in backlog are scheduled for delivery in the remainder of fiscal year 2010. The May 31, 2010 backlog does not include the contingent production of 2,200 units for GE. There are currently 400 units in backlog that may be cancelled by the customer, in its sole discretion and without penalty, if during calendar 2010 the customer determines that it does not need the units. A portion of the orders included in backlog reflects an assumed product mix. Under terms of the orders, the exact mix will be determined in the future which may impact the dollar amount of backlog.

Marine backlog was approximately $75 million as of May 31, 2010 with production scheduled into 2012 in accordance with customer requirements. Due to current market conditions and an uncertain outlook we have reduced production rates by implementing a 4-day work week. During the fourth quarter we will reevaluate our production staffing levels.

Prices for steel, a primary component of railcars and barges, and related surcharges have fluctuated significantly and remain volatile. In addition, the price of certain railcar components, which are a product of steel, are affected by steel price fluctuations. New railcar and marine backlog generally either includes fixed price contracts which anticipate material price increases and surcharges, or contracts that contain actual or formulaic pass through of material price increases and surcharges. We are aggressively working to mitigate these exposures. The Company s integrated business model has helped offset some of the effects of fluctuating steel and scrap steel prices, as a portion of our business segments benefit from rising steel scrap prices while other segments benefit from lower steel and scrap steel prices through enhanced margins.

In April 2010, we filed a registration statement on Form S-3 with the SEC, using a shelf registration process. The registration statement was declared effective on April 14, 2010 and pursuant to the prospectus filed as part of the registration statement, we may sell from time to time any combination of securities in one or more offerings up to an aggregate amount of $300.0 million. The securities described in the prospectus include common stock, preferred stock, debt securities, guarantees, rights, and units. We may also offer common stock or preferred stock upon conversion of debt securities, common stock upon conversion of preferred stock, or common stock, preferred stock or debt securities upon the exercise of warrants or rights. Each time we sell securities under the shelf, we will provide a prospectus supplement that will contain specific information about the terms of the securities being offered and of the offering. Proceeds from the sale of these securities may be used for general corporate purposes including, among other things, working capital, financings, possible acquisitions, the repayment of obligations that have matured, and reducing or refinancing indebtedness that may be outstanding at the time of any offering.

On May 12, 2010, we issued 4,000,000 shares of our common stock under the shelf registration statement at a price of $12.50 per share, less underwriting commissions, discounts and expenses. On May 19, 2010, an additional 500,000 shares were issued under the shelf registration statement pursuant to the 30-day over-allotment option exercised by the underwriters. Management has broad discretion to allocate the net proceeds of $52.7 million from the offering for such purposes as working capital, capital expenditures, repayment or repurchase of a portion of our indebtedness or acquisitions of, or investment in, complementary businesses and products. We have no current agreements or commitments to use these proceeds to repay or repurchase any indebtedness or to make any material acquisitions or investments. Pending such uses, we plan to invest the net proceeds from this offering in highly liquid, investment-grade securities.

In April 2010, WLR Greenbrier Rail Inc. (WLR-GBX) was formed and acquired a lease fleet of nearly 4,000 railcars valued at approximately $230.0 million. WLR-GBX is wholly owned by affiliates of WL Ross & Co., LLC. We paid a $6.0 million contract placement fee to WLR-GBX for the right to perform certain management and advisory services and in exchange will receive management and other fee income and incentive compensation tied to the performance of WLR-GBX. The contract placement fee is accounted for under the equity method and is recorded in Intangibles and other assets on the Consolidated Balance Sheet.

A $2.3 million gain on extinguishment of debt was recorded on the early retirement of $22.2 million of convertible senior notes in April 2010. This gain was partially offset by $0.4 million for the proportionate write-off of associated loan fees.

We delivered 500 railcar units during fiscal year 2009 for which we have an obligation to guarantee the purchaser minimum earnings. The obligation expires December 31, 2011. The maximum potential obligation totals $13.1 million and in certain defined instances the obligation may be reduced due to early termination. The purchaser has agreed to utilize the railcars on a preferential basis, and we are entitled to re-market the railcar units when they are not being utilized by the purchaser during the obligation period. Any earnings generated from the railcar units will offset the obligation and be recognized as revenue and margin in future periods. As a result of re-marketing the railcars, we recorded revenue of $1.1 million and $1.8 million for the three and nine months ended May 31, 2010. Upon delivery of the railcar units, the entire purchase price was recorded as revenue and paid in full. The minimum earnings due to the purchaser are considered a reduction of revenue and were recorded as deferred revenue. As of May 31, 2010, $9.1 million of the potential obligation remained in deferred revenue.

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Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires judgment on the part of management to arrive at estimates and assumptions on matters that are inherently uncertain. These estimates may affect the amount of assets, liabilities, revenue and expenses reported in the financial statements and accompanying notes and disclosure of contingent assets and liabilities within the financial statements. Estimates and assumptions are periodically evaluated and may be adjusted in future periods. Actual results could differ from those estimates.

Income taxes **-** For financial reporting purposes, income tax expense is estimated based on planned tax return filings. The amounts anticipated to be reported in those filings may change between the time the financial statements are prepared and the time the tax returns are filed. Further, because tax filings are subject to review by taxing authorities, there is also the risk that a position taken in preparation of a tax return may be challenged by a taxing authority. If the taxing authority is successful in asserting a position different than that taken by us, differences in tax expense or between current and deferred tax items may arise in future periods. Such differences, which could have a material impact on our financial statements, would be reflected in the financial statements when management considers them probable of occurring and the amount reasonably estimable. Valuation allowances reduce deferred tax assets to an amount that will more likely than not be realized. Our estimates of the realization of deferred tax assets is based on the information available at the time the financial statements are prepared and may include estimates of future income and other assumptions that are inherently uncertain.

Maintenance obligations **-** We are responsible for maintenance on a portion of the managed and owned lease fleet under the terms of maintenance obligations defined in the underlying lease or management agreement. The estimated maintenance liability is based on maintenance histories for each type and age of railcar. These estimates involve judgment as to the future costs of repairs and the types and timing of repairs required over the lease term. As we cannot predict with certainty the prices, timing and volume of maintenance needed in the future on railcars under long-term leases, this estimate is uncertain and could be materially different from maintenance requirements. The liability is periodically reviewed and updated based on maintenance trends and known future repair or refurbishment requirements. These adjustments could be material due to the inherent uncertainty in predicting future maintenance requirements.

Warranty accruals **-** Warranty costs to cover a defined warranty period are estimated and charged to operations. The estimated warranty cost is based on historical warranty claims for each particular product type. For new product types without a warranty history, preliminary estimates are based on historical information for similar product types. These estimates are inherently uncertain as they are based on historical data for existing products and judgment for new products. If warranty claims are made in the current period for issues that have not historically been the subject of warranty claims and were not taken into consideration in establishing the accrual or if claims for issues already considered in establishing the accrual exceed expectations, warranty expense may exceed the accrual for that particular product. Conversely, there is the possibility that claims may be lower than estimates. The warranty accrual is periodically reviewed and updated based on warranty trends. However, as we cannot predict future claims, the potential exists for the difference in any one reporting period to be material.

Revenue recognition **-** Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable and collectibility is reasonably assured. Railcars are generally manufactured, repaired or refurbished under firm orders from third parties. Revenue is recognized when new or refurbished railcars are completed, accepted by an unaffiliated customer and contractual contingencies removed. Marine revenues are either recognized on the percentage of completion method during the construction period or on the completed contract method based on terms of the contract. Cash payments received in advance prior to meeting revenue recognition criteria are accounted for in deferred revenue. Direct finance lease revenue is recognized over the lease term in a manner that produces a constant rate of return on the net investment in the lease. Operating lease revenue is recognized as earned under the lease terms. Certain leases are operated under car hire arrangements whereby revenue is earned based on utilization, car hire rates and terms specified in the lease agreement. Car hire revenue is reported from a third party source two months in arrears; however, such revenue is

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accrued in the month earned based on estimates of use from historical activity and is adjusted to actual as reported. Such adjustments historically have not differed significantly from the estimate.

Impairment of long-lived assets **-** When changes in circumstances indicate the carrying amount of certain long-lived assets may not be recoverable, the assets are evaluated for impairment. If the forecasted undiscounted future net cash flows are less than the carrying amount of the assets, an impairment charge to reduce the carrying value of the assets to fair value is recognized in the current period. These estimates are based on the best information available at the time of the impairment and could be materially different if circumstances change.

Goodwill and acquired intangible assets **-** The Company periodically acquires businesses in purchase transactions in which the allocation of the purchase price may result in the recognition of goodwill and other intangible assets. The determination of the value of such intangible assets requires management to make estimates and assumptions. These estimates affect the amount of future period amortization and possible impairment charges.

We perform a goodwill impairment test annually during the third quarter. Goodwill is also tested more frequently if changes in circumstances or the occurrence of events indicates that a potential impairment exists. The provisions of ASC 350, *Intangibles Goodwill and Other*, require that we perform a two-step impairment test on goodwill. In the first step, we compare the fair value of each reporting unit with its carrying value. We determine the fair value of our reporting units based on a weighting of income and market approaches. Under the income approach, we calculate the fair value of a reporting unit based on the present value of estimated future cash flows. Under the market approach, we estimate the fair value based on observed market multiples for comparable businesses. The second step of the goodwill impairment test is required only in situations where the carrying value of the reporting unit exceeds its fair value as determined in the first step. In the second step we would compare the implied fair value of goodwill to its carrying value. The implied fair value of goodwill is determined by allocating the fair value of a reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the reporting unit. The excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. An impairment loss is recorded to the extent that the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill. The goodwill balance as of May 31, 2010 of $137.1 million relates to the Refurbishment & Parts segment. Goodwill was tested as of February 28, 2010 and the Company concluded that goodwill was not impaired.

Loss contingencies - On certain railcar contracts the total cost to produce the railcar may exceed the actual fixed or determinable contractual sale price of the railcar. When the anticipated loss on production of railcars in backlog is both probable and estimable the Company will accrue a loss contingency. These estimates are based on the best information available at the time of the accrual and may be adjusted at a later date to reflect actual costs.

Results of Operations

Three Months Ended May 31, 2010 Compared to Three Months Ended May 31, 2009

Overview

Total revenue for the three months ended May 31, 2010 was $211.5 million, a decrease of $32.9 million from revenues of $244.4 million in the prior comparable period. Net earnings attributable to Greenbrier for the three months ended May 31, 2010 was $4.6 million or $0.23 per diluted common share compared to net loss attributable to Greenbrier of $51.1 million or $3.04 per diluted common share for the three months ended May 31, 2009. Net earnings attributable to Greenbrier for the three months ended May 31, 2010 included noncash charges aggregating $2.0 million pre-tax, $1.2 million net of tax or $0.06 per diluted common share. These charges consist of term loan debt discount amortization expense and amortization of convertible debt discount related to the adoption of ASC 470-20. The net loss attributable to Greenbrier for the three months ended May 31, 2009 included special charges of $55.7 million pre-tax, $51.0 million net of tax or $3.03 per diluted common share and $1.0 million pre-tax, $0.6 million net of tax or $0.03 per diluted common share of noncash amortization expense of the convertible debt discount related to the adoption of ASC 470-20.

Manufacturing Segment

Manufacturing revenue includes results from new railcar and marine production. New railcar delivery information includes all facilities.

Manufacturing revenue for the three months ended May 31, 2010 was $77.9 million compared to $106.0 million in the corresponding prior period, a decrease of $28.1 million. New railcar deliveries were approximately 700 units in the current period compared to approximately 800 units in the prior comparable period. The decrease in revenue was primarily the result of lower railcar deliveries, a change in product mix with lower per unit sales prices and decreased marine revenues. Prior year revenues were negatively impacted by the accrual of a $2.1 million obligation of guaranteed minimum earnings under a certain contract. The current year was positively impacted by $0.8 million in revenue related to the re-marketing of railcars under this same contract.

Manufacturing margin as a percentage of revenue for the three months ended May 31, 2010 was 11.5% compared to a margin of 4.8% for the three months ended May 31, 2009. The increase was primarily the result of a more favorable product mix and improved production efficiencies. The prior period was negatively impacted by a $2.1 million obligation of guaranteed minimum earnings under a certain contract. The current year was positively impacted by $0.8 million in margin related to the re-marketing of railcars under this same contract.

Refurbishment & Parts Segment

Refurbishment & Parts revenue of $112.2 million for the three months ended May 31, 2010 decreased by $8.0 million from revenue of $120.2 million in the prior comparable period. The decrease was primarily due to lower wheel sales volumes partially offset by improved scrap metal pricing and a gain of $0.9 million from insurance proceeds associated with the January 2009 fire at one of our facilities.

Refurbishment & Parts margin as a percentage of revenue was 13.8% for the three months ended May 31, 2010 compared to 12.8% for the three months ended May 31, 2009. The slight increase was primarily the result of a gain from insurance proceeds associated with the January 2009 fire at one of our facilities and increased scrap metal prices.

Leasing & Services Segment

Leasing & Services revenue increased $3.1 million to $21.4 million for the three months ended May 31, 2010 compared to $18.3 million for the three months ended May 31, 2009. The increase was primarily the result of higher gains on sale of equipment.

Pre-tax gains on sale of equipment of $3.1 million were realized on the disposition of assets from our lease fleet, compared to a pre-tax loss of $0.4 million in the prior comparable period. Assets from our lease fleet are periodically sold in the normal course of business in order to take advantage of market conditions, manage risk and maintain liquidity.

Leasing & Services margin as a percentage of revenue was 53.6% and 34.1% for the three-month periods ended May 31, 2010 and 2009. The increase was primarily a result of higher gains on sale, which have no associated cost of revenue, increased lease fleet utilization and improved margins from management services mainly due to lower maintenance expense.

The percent of owned units on lease as of May 31, 2010 was 94.5% compared to 92.1% at May 31, 2009.

Other Costs

Selling and administrative expense was $17.5 million for the three months ended May 31, 2010 compared to $15.9 million for the comparable prior period, an increase of $1.6 million. The increase was primarily due to higher research and development costs, increased travel expense, higher employee related costs and increased depreciation expense associated with our on-going Enterprise Resource Planning (ERP) improvement projects.

Interest and foreign exchange decreased $2.2 million to $9.5 million for the three months ended May 31, 2010, compared to $11.7 million in the prior comparable period.

(In thousands)	Three Months Ended May 31, 2010	2009	Increase (decrease)
Interest and foreign exchange:			
Interest and other expense	$ 8,908	$ 8,272	$ 636
Amortization of term loan debt discount	1,077		1,077
Amortization of convertible debt discount	933	961	(28)
Gain on debt extinguishment	(2,266)		(2,266)
Write-off of fees and debt discount on debt extinguishment	991		991
Foreign exchange loss (gain)	(107)	2,477	(2,584)
	$ 9,536	$ 11,710	$ (2,174)

Interest and other expense increased $0.6 million principally due to $0.4 million of loan fee amortization associated with the term loan issued in June 2009. An increase of $1.0 million was due to the proportionate write-off of loan fees and debt discount due to early repayments on the convertible note and certain term loans. The three months ended May 31, 2010 includes $1.1 million of debt discount amortization expense associated with the term loan issued in June 2009. The $2.3 million gain on extinguishment of debt is associated with the early retirement of $22.2 million of convertible senior notes.

Special Charges

Special charges of $55.7 million were recorded in May 2009 associated with the impairment of goodwill. These charges consist of $1.3 million in the Manufacturing segment, $3.1 million in the Leasing & Services segment and $51.3 million in the Refurbishment & Parts segment.

Income Taxes

The provision for income taxes was an expense of $2.4 million for the three months ended May 31, 2010 compared to a benefit of $5.2 million for the three months ended May 31, 2009. The provision for income taxes is based on projected consolidated results of operations and geographical mix of earnings for the entire year which results in an estimated 45.5% annual effective tax rate on pre-tax results for fiscal year 2010. The effective tax rate fluctuates from year to year due to the geographical mix of pre-tax earnings and losses, minimum tax requirements in certain local jurisdictions and operating results for certain operations with no related tax effect. The actual tax rate for the three months ended May 31, 2010 was 27.4% as compared to 9.2% in the prior comparable period. The actual rate of 27.4% differs from the estimated annual effective rate of 45.5% due to revisions to our projected annual effective tax rate. Relatively large changes in tax rates are the result of relatively small pre-tax operating profits and losses in comparison to the amount of taxes recorded.

Nine Months Ended May 31, 2010 Compared to Nine Months Ended May 31, 2009

Overview

Total revenues for the nine months ended May 31, 2010 were $583.1 million, a decrease of $204.6 million from revenues of $787.7 million in the prior comparable period. Net loss attributable to Greenbrier of $3.4 million or $0.20 per diluted common share for the nine months ended May 31, 2010 compared to net loss attributable to Greenbrier of $62.5 million or $3.71 per diluted common share for the nine months ended May 31, 2009. The net loss attributable to Greenbrier for the nine months ended May 31, 2010 included noncash charges aggregating $6.3 million pre-tax, $3.8 million net of tax or $0.22 per diluted common share. These charges consist of term loan debt discount amortization expense and amortization of convertible debt discount related to the adoption of ASC 470-20. The net loss attributable to Greenbrier for the nine months ended May 31, 2009 included special charges of $55.7 million pre-tax, $51.0 million net of tax or $3.03 per diluted common share and $2.8 million pre-tax, $1.7 million

net of tax or $0.10 per diluted common share of noncash amortization expense of the convertible debt discount related to the adoption of ASC 470-20.

Manufacturing Segment

Manufacturing revenue for the nine months ended May 31, 2010 was $226.0 million compared to $354.3 million in the corresponding prior period, a decrease of $128.3 million. New railcar deliveries were approximately 1,800 units in the current period compared to approximately 2,900 units in the prior comparable period. The decrease in revenue was primarily the result of lower railcar deliveries and a change in product mix with lower per unit sales prices. Prior year revenue was negatively impacted by a $12.0 million obligation of guaranteed minimum earnings under a certain contract. The current year was positively impacted by $1.3 million in revenue related to the re-marketing of railcars under this same contract.

Manufacturing margin as a percentage of revenue for the nine months ended May 31, 2010 was 8.7% compared to negative 1.6% for the nine months ended May 31, 2009. The increase was primarily the result of a more favorable product mix and improved production efficiencies. The prior year was negatively impacted by a $12.0 million obligation of guaranteed minimum earnings under a certain contract and severance of $0.7 million. The current year was positively impacted by $1.0 million in margin related to the re-marketing of railcars under this same contract

Refurbishment & Parts Segment

Refurbishment & Parts revenue of $299.5 million for the nine months ended May 31, 2010 decreased by $74.7 million from revenue of $374.2 million in the prior comparable period. The decrease was primarily due to lower sales volumes offset slightly by improvement in the price for scrap metal and a gain of $1.6 million from insurance proceeds associated with the January 2009 fire at one of our facilities.

Refurbishment & Parts margin as a percentage of revenue was 12.1% for the nine months ended May 31, 2010 compared to 11.4% for the nine months ended May 31, 2009. The slight increase was primarily the result of a gain from insurance proceeds associated with the January 2009 fire at one of our facilities and increased scrap metal prices.

Leasing & Services Segment

Leasing & Services revenue decreased $1.7 million to $57.6 million for the nine months ended May 31, 2010 compared to $59.3 million for the nine months ended May 31, 2009. The decrease was primarily a result of lower rent generated from the lease fleet offset slightly by higher gains on sale of assets from the lease fleet.

Pre-tax gains on sale of equipment of $4.0 million were realized on the disposition of assets in our lease fleet, compared to $0.1 million pre-tax loss in the prior comparable period. Assets from our lease fleet are periodically sold in the normal course of business in order to take advantage of market conditions, manage risk and maintain liquidity.

Leasing & Services margin as a percentage of revenue increased to 45.1% for the nine months ended May 31, 2010 compared to 40.1% for the nine months ended May 31, 2009. The increase was primarily a result of increased gains on sales of assets from the lease fleet which has no associated cost of revenue. This was partially offset by lower lease fleet utilization and lower earnings on certain car hire utilization leases.

Other Costs

Selling and administrative costs were $50.7 million for the nine months ended May 31, 2010 compared to $48.1 million for the comparable prior period, an increase of $2.6 million. The increase was primarily due to higher depreciation expense associated with our on-going ERP improvement projects, higher travel expense and increased costs at our Mexican joint venture due to higher activity levels. These were partially offset by lower employee related costs. The prior period included a reversal of $2.1 million of certain accruals, which was partially offset by severance costs of $1.3 million related to reductions in work force.

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Interest and foreign exchange expense was $33.1 million for the nine months ended May 31, 2010, compared to $32.6 million in the prior comparable period.

(In thousands)	Nine Months Ended May 31, 2010	2009	Increase (decrease)
Interest and foreign exchange:			
Interest and other expense	$ 27,245	$ 26,833	$ 412
Amortization of term loan debt discount	3,307		3,307
Amortization of convertible debt discount	2,961	2,840	121
Gain on debt extinguishment	(2,266)		(2,266)
Write-off of fees and debt discount on debt extinguishment	991		991
Foreign exchange loss	815	2,954	(2,139)
	$ 33,053	$ 32,627	$ 426

Interest and other expense increased primarily due to $0.6 million of interest associated with certain tax accruals. An increase of $1.0 million was due to the proportionate write-off of loan fees and debt discount due to the early repayment of certain debt. This was partially offset by declines in interest rates and lower outstanding borrowings. Debt discount amortization expense was $3.3 million associated with the term loan issued in June 2009. The $2.3 million gain on extinguishment of debt is associated with the early retirement of $22.2 million of the convertible senior notes.

Special Charges

Special charges of $55.7 million were recorded in May 2009 associated with the impairment of goodwill. These charges consist of $1.3 million in the Manufacturing segment, $3.1 million in the Leasing & Services segment and $51.3 million in the Refurbishment & Parts segment.

Income Tax

The provision for income taxes was a benefit of $1.0 million and $11.8 million for the nine months ended May 31, 2010 and 2009. The provision for income taxes is based on projected consolidated results of operations and geographic mix of earnings for the entire year which resulted in an estimated 45.5% annual effective tax rate on pre-tax income for fiscal year 2010. The effective tax rate fluctuates from year to year due to the geographical mix of pre-tax earnings and losses, minimum tax requirements in certain local jurisdictions and operating results for certain operations with no related tax benefit. The actual tax rate for the nine months ended May 31, 2010 was 49.7% as compared to 15.6% in the prior comparable period. The actual rate of 49.7% differs from the estimated effective rate of 45.5% due to revisions to our projected geographic mix of earnings, the reversal of $0.9 million in liabilities for uncertain tax positions for which we are no longer subject to examination by tax authorities and $1.3 million in liabilities that were recorded for uncertain tax positions. Relatively large changes in tax rates are the result of relatively small pre-tax profits and losses in comparison to the amount of taxes recorded.

Liquidity and Capital Resources

We have been financed through cash generated from operations and stock issuance. During the nine months ended May 31, 2010, cash increased $40.4 million to $116.6 million from $76.2 million at August 31, 2009. During the quarter we received a tax refund of $14.0 million as a result of recent changes in the tax laws which allowed us to carry losses back a total of five years.

Cash provided by operations for the nine months ended May 31, 2010 was $36.2 million compared to $89.2 million for the nine months ended May 31, 2009. The change was primarily due to timing of working capital needs including purchases of railcars held for sale, timing of inventory purchases and varying customer payment terms.

Cash used in investing activities was $20.4 million for the nine months ended May 31, 2010 compared to $28.3 million in the prior comparable period. Cash usage was primarily for capital expenditures.

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Capital expenditures totaled $28.3 million and $33.5 million for the nine months ended May 31, 2010 and 2009. Of these capital expenditures, approximately $15.5 million and $22.3 million were attributable to Leasing & Services operations for the nine months ended May 31, 2010 and 2009. Leasing & Services capital expenditures for 2010, net of proceeds from sales of equipment, are expected to be minimal depending on market conditions and fleet management objectives. We regularly sell assets from our lease fleet, some of which may have been purchased within the current year and included in capital expenditures. Proceeds from the sale of equipment were $14.8 million and $4.5 million for the nine months ended May 31, 2010 and 2009.

Approximately $4.5 million and $8.1 million of capital expenditures for the nine months ended May 31, 2010 and 2009 were attributable to manufacturing operations. Capital expenditures for manufacturing operations are expected to be approximately $13.0 million in 2010 and primarily relate to maintenance of existing equipment and ERP implementation.

Refurbishment & Parts capital expenditures for the nine months ended May 31, 2010 and 2009 were $8.2 million and $3.1 million and are expected to be approximately $15.0 million in 2010 for maintenance of existing facilities and equipment, ERP implementation and replacement facilities.

Cash provided by financing activities was $24.0 million for the nine months ended May 31, 2010 compared to cash used in financing activities of $41.2 million for the nine months ended May 31, 2009. During the nine months ended May 31, 2010 we received $52.7 million in net proceeds from an equity offering and $1.7 million was received in net proceeds from a new term loan borrowing. This was partially offset by repayment of $28.4 million in term debt and convertible notes and $2.1 million in net repayments under the revolving credit lines. In the prior period, we repaid $28.2 million in net borrowings under revolving credit lines and repaid $15.3 million in term debt.

All amounts originating in foreign currency have been translated at the May 31, 2010 exchange rate for the following discussion. As of May 31, 2010 senior secured credit facilities, consisting of three components, aggregated $121.8 million. As of May 31, 2010 a $100.0 million revolving line of credit secured by substantially all of our assets in the United States not otherwise pledged as security for term loans, maturing November 2011, was available to provide working capital and interim financing of equipment, principally for the United States and Mexican operations. Advances under this revolving credit facility bear interest at variable rates that depend on the type of borrowing and the defined ratio of debt to total capitalization. In addition, current lines of credit totaling $16.1 million secured by substantially all of our European assets, with various variable rates, are available for working capital needs of the European manufacturing operation. European credit facilities are continually being renewed. Currently these European credit facilities have maturities that range from August 2010 through June 2011. Our Mexican joint venture obtained a line of credit of $5.7 million secured by certain of the joint venture s accounts receivable and inventory. Advances under this facility bear interest at LIBOR plus 3.0% and are due 180 days after the date of borrowing. Currently the outstanding borrowings have maturities that range from July 2010 to August 2010. As of May 31, 2010 outstanding borrowings under our facilities consists of $3.6 million in letters of credit outstanding under the North American credit facility, $6.1 million in revolving notes outstanding under the European credit facilities and $5.7 million under the Mexican joint venture credit facility.

The revolving and operating lines of credit, along with notes payable, contain covenants with respect to the Company and various subsidiaries, the most restrictive of which, among other things, limit the ability to: incur additional indebtedness or guarantees; pay dividends or repurchase stock; enter into sale leaseback transactions; create liens; sell assets; engage in transactions with affiliates, including joint ventures and non U.S. subsidiaries, including but not limited to loans, advances, equity investments and guarantees; enter into mergers, consolidations or sales of substantially all the Company s assets; and enter into new lines of business. The covenants also require certain maximum ratios of debt to total capitalization and minimum levels of fixed charges (interest plus rent) coverage. Available borrowings under our credit facilities are generally based on defined levels of inventory, receivables, property, plant and equipment and leased equipment, as well as total debt to consolidated capitalization and interest coverage ratios which, as of May 31, 2010 would allow for maximum additional borrowing of $112.2 million. The Company has an aggregate of $106.4 million available to draw down under the committed credit facilities as of May

31, 2010. This amount consists of $96.4 million available on the North American credit facility and $10.0 million on the European credit facilities.

We may from time to time seek to repurchase or otherwise retire or exchange securities, including outstanding borrowings and equity securities, and take other steps to reduce our debt or otherwise improve our balance sheet. These actions may include open market repurchases, unsolicited or solicited privately negotiated transactions or other retirements, repurchases or exchanges. Such repurchases or exchanges, if any, will depend on a number of factors, including, but not limited to, prevailing market conditions, trading levels of our debt, our liquidity requirements and contractual restrictions, if applicable.

We have operations in Mexico and Poland that conduct business in their local currencies as well as other regional currencies. To mitigate the exposure to transactions denominated in currencies other than the functional currency of each entity, we enter into foreign currency forward exchange contracts to protect the margin on a portion of forecast foreign currency sales.

Foreign operations give rise to risks from changes in foreign currency exchange rates. We utilize foreign currency forward exchange contracts with established financial institutions to hedge a portion of that risk. No provision has been made for credit loss due to counterparty non-performance.

We have financed the working capital needs of our Mexican joint venture through a secured, interest bearing loan. The balance of the loan was $19.0 million as of May 31, 2010.

In accordance with customary business practices in Europe, we have $8.9 million in bank and third party performance and warranty guarantee facilities, all of which have been utilized as of May 31, 2010. To date no amounts have been drawn under these performance and warranty guarantees.

Quarterly dividends were suspended as of the third quarter 2009. A quarterly dividend of $.04 per share was declared during the second quarter of 2009. Quarterly dividends of $.08 per share were declared each quarter from the fourth quarter of 2005 through the first quarter of 2009.

We have advanced $0.5 million in long-term advances to an unconsolidated subsidiary which are secured by accounts receivable and inventory. As of May 31, 2010, this same unconsolidated subsidiary had $1.2 million in third party debt for which we have guaranteed 33% or approximately $0.4 million. The facility has been idled and expects to restart production when demand returns. We, along with our partners, have made additional equity investments during fiscal year 2010, our share of which was $0.7 million. We anticipate an additional investment of $0.2 million during the fourth quarter. Additional investments may be required later in the calendar year.

We expect existing funds and cash generated from operations, together with proceeds from financing activities including borrowings under existing credit facilities and long-term financings, to be sufficient to fund working capital needs, planned capital expenditures and expected debt repayments for the foreseeable future.

Off Balance Sheet Arrangements

We do not currently have off balance sheet arrangements that have or are likely to have a material current or future effect on our Consolidated Financial Statements.

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risk

We have operations in Mexico, Germany and Poland that conduct business in their local currencies as well as other regional currencies. To mitigate the exposure to transactions denominated in currencies other than the functional currency of each entity, we enter into foreign currency forward exchange contracts to protect the margin on a portion of forecast foreign currency sales. At May 31, 2010, $34.8 million of forecast sales in Europe were hedged by foreign exchange contracts. Because of the variety of currencies in which purchases and sales are transacted and the interaction between currency rates, it is not possible to predict the impact a movement in a single foreign currency exchange rate would have on future operating results. We believe the exposure to foreign exchange risk is not material.

In addition to exposure to transaction gains or losses, we are also exposed to foreign currency exchange risk related to the net asset position of our foreign subsidiaries. At May 31, 2010, net assets of foreign subsidiaries aggregated $23.3 million and a 10% strengthening of the United States dollar relative to the foreign currencies would result in a decrease in stockholders equity Greenbrier of $2.3 million, 0.9% of total stockholders equity Greenbrier. This calculation assumes that each exchange rate would change in the same direction relative to the United States dollar.

Interest Rate Risk

We have managed a portion of our variable rate debt with interest rate swap agreements, effectively converting $46.0 million of variable rate debt to fixed rate debt. As a result, we are exposed to interest rate risk relating to our revolving debt and a portion of term debt, which are at variable rates. At May 31, 2010, 66% of our debt has fixed rates and 34% has variable rates. At May 31, 2010, a uniform 10% increase in interest rates would result in approximately $0.5 million of additional annual interest expense.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management has evaluated, under the supervision and with the participation of our President and Chief Executive Officer and our Chief Financial Officer, the effectiveness of the Company s disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (the Exchange Act). Based on that evaluation, our President and Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in ensuring that information required to be disclosed in our Exchange Act reports is (1) recorded, processed, summarized and reported in a timely manner, and (2) accumulated and communicated to our management, including our President and Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the quarter ended May 31, 2010 that have materially affected, or are reasonably likely to materially affect, the Company s internal controls over financial reporting.

Item 4T. Controls and Procedures

Not applicable

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There is hereby incorporated by reference the information disclosed in Note 18 to Condensed Consolidated Financial Statements, Part I of this quarterly report.

Item 1A. Risk Factors

During economic downturns or a rising interest rate environment, the cyclical nature of our business results in lower demand for our products and reduced revenue.

Our business is cyclical. Overall economic conditions and the purchasing practices of buyers have a significant effect upon our railcar repair, refurbishment and component parts, marine manufacturing, railcar manufacturing and leasing and fleet management services businesses due to the impact on demand for new, refurbished, used and leased products. As a result, during downturns, we could operate with a lower level of backlog and may temporarily slow down or halt production at some or all of our facilities. Economic conditions that result in higher interest rates increase the cost of new leasing arrangements, which could cause some of our leasing customers to lease fewer of our railcars or demand shorter lease terms. An economic downturn or increase in interest rates may reduce demand for railcars, resulting in lower sales volumes, lower prices, lower lease utilization rates and decreased profits or losses.

A prolonged decline in performance of the rail freight industry would have an adverse effect on our financial condition and results of operations.

Our future success depends in part upon the performance of the rail freight industry, which in turn depends on the health of the economy. If railcar loadings, railcar replacement rates or industry demand for railcar products remain weak or otherwise do not materialize, our financial condition and results of operations would be adversely affected.

Our level of indebtedness and terms of our indebtedness could adversely affect our business, financial condition and liquidity.

We have a high level of indebtedness, a portion of which has variable interest rates. Although we intend to refinance our debt on or before maturity, there can be no assurance that we will be successful, or if refinanced, that it will be at favorable rates and terms. If we are unable to successfully refinance our debt, we could have inadequate liquidity to fund our ongoing cash needs. In addition, our high level of indebtedness and our financial covenants limit our ability to borrow additional amounts of money for working capital, capital expenditures or other purposes. We must dedicate a substantial portion of these funds to service debt, limiting our ability to use operating cash flow in other areas of our business. The limitations of our financial covenants, among other things, limit our ability to incur additional indebtedness or guarantees, pay dividends or repurchase stock, enter into sale leaseback transactions, create liens, sell assets, engage in transactions with affiliates, joint ventures and foreign subsidiaries, and engage in other transactions, including but not limited to loans, advances, equity investments and guarantees, enter into mergers, consolidations or sales of substantially all of our assets, and enter into new lines of business. The high amount of debt increases our vulnerability to general adverse economic and industry conditions and could limit our ability to take advantage of business opportunities and to react to competitive pressures.

We compete in a highly competitive and concentrated industry which may adversely impact our financial results.

We face aggressive competition by a concentrated group of competitors in all geographic markets and each industry sector in which we operate. Some of these companies have significantly greater resources or may operate more efficiently than we do. The effect of this competition could reduce our revenues and margins, limit our ability to grow, increase pricing pressure on our products, and otherwise affect our financial results. In addition, because of the concentrated nature of our competitors, customers and suppliers, we face a heightened risk that further consolidation of our competitors, customers and suppliers could adversely affect our revenues, cost of revenues and profitability.

The recent rig catastrophe in the Gulf of Mexico could adversely affect our marine operations.

The April 2010 catastrophic explosion of the Deepwater Horizon oil drilling platform and the related oil spill in the U. S. Gulf of Mexico may have an adverse effect on our results of operations by reducing demand for our marine barges because of reduced marine traffic in the area. In addition, the governmental and industry response to these events may result in additional laws and regulations being adopted that could have a material adverse effect on our operations. Such response also may result in repeal or amendment of the Jones Act, a federal law that favors domestic producers of maritime vessels by restricting maritime transportation between locations in the United States to vessels built and registered in the United States and owned and manned by United States citizens. Repeal or amendment of the Jones Act could adversely affect the demand for our marine barges and increase competition for manufacture of such barges. The effect of this competition could reduce our revenues and margins, limit our ability to grow, increase pricing pressure on our products, and otherwise adversely affect our financial results.

Turmoil in the credit markets and the financial services industry could negatively impact our business, results of operations, financial condition or liquidity.

The credit markets and the financial services industry have experienced a period of unprecedented turmoil and upheaval characterized by the bankruptcy, failure, collapse or sale of various financial institutions, an unprecedented level of intervention from the United States federal government and other foreign governments and tighter availability of credit on more restrictive terms at higher cost of capital. While the ultimate outcome of these events cannot be predicted, they could have a negative impact on our liquidity and financial condition if our ability to borrow money to finance operations, obtain credit from trade creditors, offer leasing products to our customers or sell railcar assets to other lessors were to be impaired. In addition, if economic conditions worsen it could also adversely impact our customers ability to purchase or pay for products from us or our suppliers ability to provide us with product, either of which could negatively impact our business and results of operations.

Fluctuations in the availability and price of steel and other raw materials could have an adverse effect on our ability to manufacture and sell our products on a cost-effective basis and could adversely affect our margins and revenue of our refurbishment & parts business.

A significant portion of our business depends upon the adequate supply of steel at competitive prices and a small number of suppliers provide a substantial amount of our requirements. The cost of steel and all other materials used in the production of our railcars represents more than half of our direct manufacturing costs per railcar and in the production of our marine barges represents more than 30% of our direct manufacturing costs per marine barge.

Our businesses depend upon the adequate supply of other materials, including castings and specialty components, at competitive prices. We cannot be assured that we will continue to have access to supplies of necessary components for manufacturing railcars and marine barges. Our ability to meet demand for our products could be adversely affected by the loss of access to any of these supplies, the inability to arrange alternative access to any materials, or suppliers limiting allocation of materials to us.

If the price of steel or other raw materials were to fluctuate and we were unable to adjust our selling prices or have adequate protection in our contracts against changes in material prices or reduce operating costs to offset any price increases, our margins would be adversely affected. The loss of suppliers or their inability to meet our price, quality, quantity and delivery requirements could have an adverse effect on our ability to manufacture and sell our products on a cost-effective basis.

When the price of scrap steel decreases it adversely impacts our refurbishment & parts margin and revenue. Part of our refurbishment & parts business involves scrapping steel parts and the resulting revenue from such scrap steel increases our margins and revenues. When the price of scrap steel declines, our margins and revenues in such business therefore decrease.

We derive a significant amount of our revenue from a limited number of customers, the loss of one or more of which could have an adverse effect on our business.

A significant portion of our revenue and backlog is generated from a few major customers such as BNSF Railway Company, General Electric Railcar Services Corporation, Union Pacific Railroad and Crowley Maritime. Although we have some long-term contractual relationships with our major customers, we cannot be assured that our customers will continue to use our products or services or that they will continue to do so at historical levels. A reduction in the purchase or leasing of our products or a termination of our services by one or more of our major customers could have an adverse effect on our business and operating results.

Our backlog is not necessarily indicative of the level of our future revenues.

Our manufacturing backlog is future production for which we have written orders from our customers in various periods, and estimated potential revenue attributable to those orders. Some of this backlog is subject to our fulfillment of certain competitive conditions. Our reported backlog may not be converted to revenue in any particular period and some of our contracts permit cancellations without financial penalties or with limited compensation that would not replace lost revenue or margins. Actual revenue from such contracts may not equal our backlog revenues, and therefore, our backlog is not necessarily indicative of the level of our future revenues.

The timing of our asset sales and related revenue recognition could cause significant differences in our quarterly results and liquidity.

We may build railcars or marine barges in anticipation of a customer order, or that are leased to a customer and ultimately planned to be sold to a third-party. The difference in timing of production and the ultimate sale is subject to risk and could cause a fluctuation in our quarterly results and liquidity. In addition, we periodically sell railcars from our own lease fleet and the timing and volume of such sales is difficult to predict. As a result, comparisons of our quarterly revenues, income and liquidity between quarterly periods within one year and between comparable periods in different years may not be meaningful and should not be relied upon as indicators of our future performance.

We could be unable to remarket leased railcars on favorable terms upon lease termination or realize the expected residual values, which could reduce our revenue and decrease our overall return.

We re-lease or sell railcars we own upon the expiration of existing lease terms. The total rental payments we receive under our operating leases do not fully amortize the acquisition costs of the leased equipment, which exposes us to risks associated with remarketing the railcars. Our ability to remarket leased railcars profitably is dependent upon several factors, including, but not limited to, market and industry conditions, cost of and demand for newer models, costs associated with the refurbishment of the railcars and interest rates. Our inability to re-lease or sell leased railcars on favorable terms could result in reduced revenues and margins and decrease our overall returns.

Risks related to our operations outside of the United States could adversely impact our operating results.

Our operations outside of the United States are subject to the risks associated with cross-border business transactions and activities. Political, legal, trade or economic changes or instability could limit or curtail our foreign business activities and operations. Some foreign countries in which we operate have regulatory authorities that regulate railroad safety, railcar design and railcar component part design, performance and manufacturing. If we fail to obtain and maintain certifications of our railcars and railcar parts within the various foreign countries where we operate, we may be unable to market and sell our railcars in those countries. In addition, unexpected 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 limit operations and make the manufacture and distribution of our products difficult. The uncertainty of the legal environment or geo-political risks in these and other areas could limit our ability to enforce our rights effectively. Any international expansion or acquisition that we undertake could amplify these risks related to operating outside of the United States.

Some of our employees belong to labor unions and strikes or work stoppages could adversely affect our operations.

We are a party to collective bargaining agreements with various labor unions at some of our operations. 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 be assured that our relations with our workforce will remain positive or that union organizers will not be successful in future attempts to organize at some of our other facilities. If our workers were to engage in a strike, work stoppage or other slowdown, or 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 lay-offs, shutdowns or reductions in the size and scope of our operations or due to the difficulties of restarting our operations that have been temporarily shuttered.

Shortages of skilled labor could adversely impact our operations.

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

We depend on our senior management team and other key employees, and significant attrition within our management team could adversely affect our business.

Our success depends in part on our ability to attract, retain and motivate senior management and other key employees. Achieving this objective may be difficult due to many factors, including fluctuations in global economic and industry conditions, competitors hiring practices, cost reduction activities, and the effectiveness of our compensation programs. Competition for qualified personnel can be very intense. We must continue to recruit, retain and motivate senior management and other key employees sufficient to maintain our current business and support our future projects. Cost-cutting measures that have reduced compensation make us vulnerable to attrition among our current senior management team and other key employees, and may make it difficult for us to hire additional senior managers and other key employees. A loss of any such personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business, financial condition and results of operations.

We depend on a third party to provide most of the labor services for our operations in Sahagun, Mexico and if such third party fails to provide the labor, it could adversely affect our operations.

In Sahagun, Mexico, we depend on a third party to provide us with most of the labor services for our operations under a services agreement. This agreement has a term of three years expiring on November 30, 2011, with one three-year option to renew. All of the labor provided by the third party is subject to collective bargaining agreements, over which we have no control. If the third party fails to provide us with the services required by our agreement for any reason, including labor stoppages or strikes or a sale of facilities owned by the third party, our operations could be adversely effected.

We could experience interruption of our manufacturing operations in Mexico which would adversely affect our results of operations.

In Sahagun, Mexico, we lease our manufacturing facility from a third party. The lease agreement has a term of three years expiring on November 30, 2011, with one three-year option to renew. We could incur substantial expense and interruption of our manufacturing production if we were to relocate to a different location.

THE GREENBRIER COMPANIES, INC.

Fluctuations in foreign currency exchange rates could lead to increased costs and lower profitability.

Outside of the United States, we operate in Mexico, Germany and Poland, and our non-U.S. businesses conduct their operations in local currencies and other regional currencies. We also source materials worldwide. Fluctuations in exchange rates may affect demand for our products in foreign markets or our cost competitiveness and may adversely affect our profitability. Although we attempt to mitigate a portion of our exposure to changes in currency rates through currency rate hedge contracts and other activities, these efforts cannot fully eliminate the risks associated with the foreign currencies. In addition, some of our borrowings are in foreign currency, giving rise to risk from fluctuations in exchange rates. A material or adverse change in exchange rates could result in significant deterioration of profits or in losses for us.

We have potential exposure to environmental liabilities, which could increase costs or have an adverse effect on results of operations.

We are subject to extensive national, state, provincial and local environmental laws and regulations concerning, among other things, air emissions, water discharge, solid waste and hazardous substances handling and disposal and employee health and safety. These laws and regulations are complex and frequently change. We could incur unexpected costs, penalties and other civil and criminal liability if we fail to comply with environmental laws. We also could incur costs or liabilities related to off-site waste disposal or remediating soil or groundwater contamination at our properties. In addition, future environmental laws and regulations may require significant capital expenditures or changes to our operations.

Environmental studies have been conducted on our owned and leased properties that indicate additional investigation and some remediation on certain properties may be necessary. Our Portland, Oregon manufacturing facility is located adjacent to the Willamette River. The United States Environmental Protection Agency (EPA) has classified portions of the river bed, including the portion fronting our Portland, Oregon facility, as a federal National Priority List or Superfund site due to sediment contamination (the Portland Harbor Site). We and more than 90 other parties have received a General Notice of potential liability from the EPA relating to the Portland Harbor Site. The letter advised that we may be liable for the costs of investigation and remediation (which liability may be joint and several with other potentially responsible parties) as well as for natural resource damages resulting from releases of hazardous substances to the site. At this time, ten private and public entities, including us, have signed an Administrative Order on Consent (AOC) to perform a remedial investigation/feasibility study (RI/FS) of the Portland Harbor Site under EPA oversight, and several additional entities have not signed such consent, but are nevertheless contributing money to the effort. The study is expected to be completed in 2011. In February 2008, the EPA sought information from over 200 additional entities, including other federal agencies in order to determine whether additional General Notice letters were warranted. Eighty-one parties have entered into a non-judicial mediation process to try to allocate costs associated with the Portland Harbor site. Approximately 110 additional parties have signed tolling agreements related to such allocations. On April 23, 2009, we and the other AOC signatories filed suit against 69 other parties due to a possible limitations period for some such claims; *Arkema Inc. et al v. A & C Foundry Products, Inc.et al,* US District Court, District of Oregon, Case #3:09-cv-453-PK. All but 12 of these parties elected to sign tolling agreements and be dismissed without prejudice, and the case has now been stayed by the court, pending completion of the RI/FS. In addition, we have entered into a Voluntary Clean-Up Agreement with the Oregon Department of Environmental Quality in which we agreed to conduct an investigation of whether, and to what extent, past or present operations at the Portland property may have released hazardous substances to the environment. We are also conducting groundwater remediation relating to a historical spill on the property which antedates our ownership.

Because these environmental investigations are still underway, we are unable to determine the amount of ultimate liability relating to these matters. Based on the results of the pending investigations and future assessments of natural resource damages, we may be required to incur costs associated with additional phases of investigation or remedial action, and may be liable for damages to natural resources. In addition, we may be required to perform periodic maintenance dredging in order to continue to launch vessels from our launch ways on the Willamette River, in Portland, Oregon, and the river s classification as a Superfund site could result in some limitations on future dredging and launch activities. Any of these matters could adversely affect our business and results of operations, or the value of our Portland property.

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

We continue to work on the design and implementation of ERP and related systems that support substantially all of our operating and financial functions. We could experience problems in connection with such implementations, including compatibility issues, training requirements, higher than expected implementation costs and other integration challenges and delays. A significant implementation problem, if encountered, could negatively impact our business by disrupting our operations. Additionally, a significant problem with the implementation, integration with other systems or ongoing management of ERP 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.

A change in our product mix, a failure to design or manufacture products or technologies or achieve certification or market acceptance of new products or technologies or introduction of products by our competitors could have an adverse effect on our profitability and competitive position.

We manufacture and repair a variety of railcars. The demand for specific types of these railcars and mix of refurbishment work varies from time to time. These shifts in demand could affect our margins and could have an adverse effect on our profitability.

We continue to introduce new railcar products and technologies and periodically accept orders prior to receipt of railcar certification or proof of ability to manufacture a quality product that meets customer standards. We could be unable to successfully design or manufacture these new railcar products and technologies. Our inability to develop and manufacture such new products and technologies in a timely and profitable manner, to obtain certification, and achieve market acceptance or the existence of quality problems in our new products could have a material adverse effect on our revenue and results of operations and subject us to penalties, cancellation of orders and/or other damages.

In addition, new technologies, changes in product mix or the introduction of new railcars and product offerings by our competitors could render our products obsolete or less competitive. As a result, our ability to compete effectively could be harmed.

Our relationships with our joint venture and alliance partners could be unsuccessful, which could adversely affect our business.

In recent years, we have entered into several joint venture agreements and other alliances with other companies to increase our sourcing alternatives, reduce costs, and to produce new railcars for the North American marketplace. We may seek to expand our relationships or enter into new agreements with other companies. If our joint venture alliance 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 venture alliances in amounts significantly greater than initially anticipated, any of which could adversely affect our business.

We could have difficulty integrating the operations of any companies that we acquire, which could adversely affect our results of operations.

The success of our acquisition strategy depends upon our ability to successfully complete acquisitions and integrate any businesses that we acquire into our existing business. The integration of acquired business operations could disrupt our business by causing unforeseen operating difficulties, diverting management s attention from day-to-day operations and requiring significant financial resources that would otherwise be used for the ongoing development of our business. The difficulties of integration could be increased by the necessity of coordinating geographically dispersed organizations, integrating personnel with disparate business backgrounds and combining different corporate cultures. In addition, we could be unable to retain key employees or customers of the combined businesses. We could face integration issues pertaining to the internal controls and operational functions of the acquired companies and we also could fail to realize cost efficiencies or synergies that we anticipated when selecting our acquisition candidates. Any of these items could adversely affect our results of operations.

If we are not successful in succession planning for our senior management team our business could be adversely impacted.

Several key members of our senior management team are at or nearing retirement age. If we are unsuccessful in our succession planning efforts, the continuity of our business and results of operations could be adversely impacted.

An adverse outcome in any pending or future litigation could negatively impact our business and results of operations.

We are a defendant in several pending cases in various jurisdictions. If we are unsuccessful in resolving these claims, our business and results of operations could be adversely affected. In addition, future claims that may arise relating to any pending or new matters, whether brought against us or initiated by us against third parties, could distract management s attention from business operations and increase our legal and related costs, which could also negatively impact our business and results of operations.

We could be liable for physical damage or product liability claims that exceed our insurance coverage.

The nature of our business subjects us to physical damage and product liability claims, especially in connection with the repair and manufacture of products that carry hazardous or volatile materials. We maintain reserves and liability insurance coverage at commercially reasonable levels compared to similarly-sized heavy equipment manufacturers. However, an unusually large physical damage or product liability claim or a series of claims based on a failure repeated throughout our production process could exceed our insurance coverage or result in damage to our reputation.

We could be unable to procure adequate insurance on a cost-effective basis in the future.

The ability to insure our businesses, facilities and rail assets is an important aspect of our ability to manage risk. As there are only limited providers of this insurance to the railcar industry, there is no guarantee that such insurance will be available on a cost-effective basis in the future. In addition, due to recent extraordinary economic events that have significantly weakened many major insurance underwriters, we cannot assure that our insurance carriers will be able to pay current or future claims.

Any failure by us to comply with regulations imposed by federal and foreign agencies could negatively affect our financial results.

Our manufacturing operations are subject to extensive regulation by governmental, regulatory and industry authorities and by federal and foreign agencies. These organizations establish rules and regulations for the railcar industry, including construction specifications and standards for the design and manufacture of railcars; mechanical, maintenance and related standards; and railroad safety. New regulatory rulings and regulations from these entities could impact our financial results and the economic value of our assets. In addition, if we fail to comply with the requirements and regulations of these entities, we could face sanctions and penalties that could negatively affect our financial results.

Our financial performance and market value could cause future write-downs of goodwill in future periods.

With the adoption of Accounting Standards Codification 350, *Intangibles Goodwill and Other*, goodwill is no longer amortized; however, we are required to perform an annual impairment review which could result in impairment write-downs to goodwill. If the carrying value of the asset is in excess of the fair value, the carrying value will be adjusted to fair value through an impairment charge. In 2009 the Company took a pre-tax goodwill write-down of $55.7 million. As of May 31, 2010, we had $137.1 million of goodwill. Our stock price can impact the results of the impairment review of goodwill. Future write-downs of goodwill could affect certain of the financial covenants under our credit agreements and could restrict our financial flexibility.

Our product and repair service warranties could expose us to potentially significant claims.

We offer our customers limited warranties for many of our products and services. Accordingly, we may be subject to significant warranty claims in the future, such as multiple claims based on one defect repeated throughout our production or servicing process or claims for which the cost of repairing the defective part is highly disproportionate to the original cost of the part. These types of warranty claims could result in costly product recalls, customers seeking monetary damages, significant repair costs and damage to our reputation.

If warranty claims attributable to actions of third party component manufacturers are not recoverable from such parties due to their poor financial condition or other reasons, we could be liable for warranty claims and other risks for using these materials on our railcars.

Item 5. Other Information

None

Item 6. Exhibits

(a) List of Exhibits:

10.1 First Amendment to 2009 Employee Stock Purchase Plan dated April 5, 2010.

31.1 Certification pursuant to Rule 13 (a) 14 (a).

31.2 Certification pursuant to Rule 13 (a) 14 (a).

32.1 Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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.

THE GREENBRIER COMPANIES, INC.

Date: July 8, 2010	By: /s/ Mark J. Rittenbaum Mark J. Rittenbaum Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date: July 8, 2010	By: /s/ James W. Cruckshank James W. Cruckshank Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)