

GREENBRIER COMPANIES INC

Form 10-Q

July 08, 2011

Table of Contents

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

Form 10-Q

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

for the quarterly period ended May 31, 2011

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of 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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes No

The number of shares of the registrant's common stock, without par value, outstanding on June 28, 2011 was 25,158,700 shares.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Item 4. CONTROLS AND PROCEDURES

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Item 1A. Risk Factors

Item 6. Exhibits

SIGNATURES

EX-10.1

EX-10.2

EX-31.1

EX-31.2

EX-32.1

EX-32.2

Table of Contents

THE GREENBRIER COMPANIES, INC.

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 leased railcars for syndication;
- 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 wheel services, refurbishment and 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;
- fluctuations in demand for wheel services, refurbishment and parts;
- 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 economic conditions including such matters as embargoes or quotas;
- U.S., Mexican and other global political or security conditions including such matters as terrorism, war, civil disruption and crime;
- 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 and availability, scrap surcharges, steel scrap prices and other commodity price fluctuations and availability and their impact on product demand and margin;
- delay or failure of acquired businesses, assets, 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 leased railcars for syndication;
- 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;
natural disasters or severe weather patterns that may affect either us, our suppliers or our customers;

Table of Contents

THE GREENBRIER COMPANIES, INC.

loss of business from, or a decline in the financial condition of, any of the principal customers that represent a significant portion of our total revenues;

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 or write-downs in carrying value of inventory, goodwill, intangibles 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 industries in which we operate;

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 previously unknown liabilities associated with acquired businesses;

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

ability to replace maturing lease and management services revenue and earnings with revenue and earnings from new commercial transactions, including new railcar leases, additions to the lease fleet and new management services contracts;

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, goal, contemplates, expects, intends, plans, projects, hopes, seeks, estimates, may, can, designed to, foreseeable future and similar 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.

Table of Contents**THE GREENBRIER COMPANIES, INC.****PART I. FINANCIAL INFORMATION****Item 1. Condensed Financial Statements****Consolidated Balance Sheets***(In thousands, unaudited)*

| | May 31, 2011 | August 31, 2010 |
|--|-----------------|--------------------|
| Assets | | |
| Cash and cash equivalents | \$ 34,302 | \$ 98,864 |
| Restricted cash | 2,217 | 2,525 |
| Accounts receivable, net | 143,491 | 89,252 |
| Inventories | 289,740 | 204,626 |
| Leased railcars for syndication | 58,316 | 12,804 |
| Equipment on operating leases, net | 314,106 | 302,663 |
| Investment in direct finance leases | 123 | 1,795 |
| Property, plant and equipment, net | 150,091 | 132,614 |
| Goodwill | 137,066 | 137,066 |
| Intangibles and other assets, net | 88,290 | 90,679 |
| | \$ 1,217,742 | \$ 1,072,888 |
| Liabilities and Equity | | |
| Revolving notes | \$ 13,897 | \$ 2,630 |
| Accounts payable and accrued liabilities | 261,361 | 181,638 |
| Deferred income taxes | 75,860 | 81,136 |
| Deferred revenue | 5,821 | 11,377 |
| Notes payable | 496,828 | 498,700 |
| Commitments and contingencies (Note 16) | | |
| Equity: | | |
| Greenbrier | | |
| Preferred stock without par value; 25,000 shares authorized; none outstanding | | |
| Common stock without par value; 50,000 shares authorized; 25,159 and 21,875 shares outstanding at May 31, 2011 and August 31, 2010 | | |
| Additional paid-in capital | 240,173 | 172,426 |
| Retained earnings | 114,547 | 120,716 |
| Accumulated other comprehensive loss | (3,264) | (7,204) |
| Total equity Greenbrier | 351,456 | 285,938 |
| Noncontrolling interest | 12,519 | 11,469 |
| Total equity | 363,975 | 297,407 |
| | \$ 1,217,742 | \$ 1,072,888 |

The accompanying notes are an integral part of these statements.

Table of Contents**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, | |
|--|-------------------------------|-----------|------------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Revenue | | | | |
| Manufacturing | \$ 173,487 | \$ 77,877 | \$ 415,548 | \$ 226,020 |
| Wheel Services, Refurbishment & Parts | 126,317 | 111,242 | 333,600 | 297,870 |
| Leasing & Services | 17,476 | 18,312 | 51,406 | 53,550 |
| | 317,280 | 207,431 | 800,554 | 577,440 |
| Cost of revenue | | | | |
| Manufacturing | 158,674 | 68,931 | 385,974 | 206,386 |
| Wheel Services, Refurbishment & Parts | 111,202 | 96,725 | 299,026 | 263,398 |
| Leasing & Services | 9,254 | 9,931 | 27,099 | 31,638 |
| | 279,130 | 175,587 | 712,099 | 501,422 |
| Margin | 38,150 | 31,844 | 88,455 | 76,018 |
| Selling and administrative | 22,580 | 17,519 | 58,212 | 50,686 |
| Gain on disposition of equipment | (1,678) | (4,024) | (6,148) | (5,659) |
| Earnings from operations | 17,248 | 18,349 | 36,391 | 30,991 |
| Other costs | | | | |
| Interest and foreign exchange | 9,807 | 10,811 | 30,646 | 34,328 |
| Loss (gain) on extinguishment of debt | 10,007 | (1,275) | 10,007 | (1,275) |
| Earnings (loss) before income taxes and loss from unconsolidated affiliates | (2,566) | 8,813 | (4,262) | (2,062) |
| Income tax benefit (expense) | 301 | (2,418) | 812 | 1,025 |
| Earnings (loss) before loss from unconsolidated affiliates | (2,265) | 6,395 | (3,450) | (1,037) |
| Loss from unconsolidated affiliates | (539) | (318) | (1,700) | (632) |
| Net earnings (loss) | (2,804) | 6,077 | (5,150) | (1,669) |
| Net earnings attributable to noncontrolling interest | (510) | (1,514) | (1,019) | (1,764) |
| Net earnings (loss) attributable to Greenbrier | \$ (3,314) | \$ 4,563 | \$ (6,169) | \$ (3,433) |

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| | | | | |
|--|-----------|---------|-----------|-----------|
| Basic earnings (loss) per common share | \$ (0.14) | \$ 0.25 | \$ (0.27) | \$ (0.20) |
| Diluted earnings (loss) per common share | \$ (0.14) | \$ 0.23 | \$ (0.27) | \$ (0.20) |
| Weighted average common shares: | | | | |
| Basic | 24,127 | 18,220 | 22,893 | 17,477 |
| Diluted | 24,127 | 20,058 | 22,893 | 17,477 |

The accompanying notes are an integral part of these statements.

5

Table of Contents**THE GREENBRIER COMPANIES, INC.****Consolidated Statement of Equity and Comprehensive Income (Loss)***(In thousands, except per share amounts, unaudited)*

| | Attributable to Greenbrier | | | Accumulated Other Comprehensive Income (Loss) | Attributable to Noncontrolling Interest | Total Equity |
|---|----------------------------|----------------------------------|----------------------|---|--|-----------------|
| | Common Stock Shares | Additional Paid-in Capital | Retained Earnings | | | |
| Balance September 1, 2010 | 21,875 | \$ 172,426 | \$ 120,716 | \$ (7,204) | \$ 11,469 | \$ 297,407 |
| Net earnings (loss) | | | (6,169) | | 1,019 | (5,150) |
| Translation adjustment | | | | 3,521 | | 3,521 |
| Reclassification of derivative financial instruments recognized in net loss (net of tax effect) | | | | (215) | | (215) |
| Unrealized gain on derivative financial instruments (net of tax effect) | | | | 634 | | 634 |
| Comprehensive loss | | | | | | (1,210) |
| Noncontrolling interest adjustments | | | | | 31 | 31 |
| Net proceeds from equity offering | 3,000 | 62,760 | | | | 62,760 |
| Restricted stock awards (net of cancellations) | 278 | 6,593 | | | | 6,593 |
| Unamortized restricted stock | | (6,593) | | | | (6,593) |
| Restricted stock amortization | | 4,961 | | | | 4,961 |
| Stock options exercised | 6 | 26 | | | | 26 |
| Balance May 31, 2011 | 25,159 | 240,173 | \$ 114,547 | \$ (3,264) | \$ 12,519 | \$ 363,975 |

| | Attributable to Greenbrier | | | Accumulated Other Comprehensive Income (Loss) | Attributable to Noncontrolling Interest | Total Equity |
|----------------------------------|----------------------------|----------------------------------|----------------------|--|--|-----------------|
| | Common Stock Shares | Additional Paid-in Capital | Retained Earnings | | | |
| Balance September 1, 2009 | 17,094 | \$ 117,077 | \$ 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) | |
| Debt discount adjustment for partial convertible note retirement (net of tax) | | (2,080) | | | (2,080) | |
| Net proceeds from equity offering | 4,500 | 52,725 | | | 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 exercised | | (387) | | | (387) | |
| Balance May 31, 2010 | 21,872 | \$ 171,628 | \$ 113,006 | \$ (11,923) | \$ 9,179 | \$ 281,890 |

The accompanying notes are an integral part of these statements.

Table of Contents**THE GREENBRIER COMPANIES, INC.****Consolidated Statements of Cash Flows***(In thousands, unaudited)*

| | Nine Months Ended May 31, | |
|---|------------------------------|------------|
| | 2011 | 2010 |
| Cash flows from operating activities | | |
| Net loss | \$ (5,150) | \$ (1,669) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Deferred income taxes | (5,276) | 17,084 |
| Depreciation and amortization | 28,174 | 27,967 |
| Gain on sales of leased equipment | (2,901) | (4,032) |
| Accretion of debt discount | 5,446 | 6,701 |
| Stock based compensation expense | 4,961 | 4,264 |
| Loss (gain) on extinguishment of debt (non-cash portion) | 2,868 | (1,275) |
| Other | 91 | (1,467) |
| Decrease (increase) in assets: | | |
| Accounts receivable | (51,427) | (1,615) |
| Inventories | (83,293) | (27,195) |
| Leased railcars for syndication | (48,465) | 10,504 |
| Other | 5,834 | 3,428 |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued liabilities | 77,273 | 11,352 |
| Deferred revenue | (5,442) | (7,824) |
| Net cash provided by (used in) operating activities | (77,307) | 36,223 |
| Cash flows from investing activities | | |
| Principal payments received under direct finance leases | 52 | 358 |
| Proceeds from sales of equipment | 14,179 | 14,794 |
| Investment in and advances to unconsolidated affiliates | (979) | (650) |
| Contract placement fee | | (6,050) |
| Decrease (increase) in restricted cash | 308 | (632) |
| Capital expenditures | (59,689) | (28,266) |
| Net cash used in investing activities | (46,129) | (20,446) |
| Cash flows from financing activities | | |
| Net change in revolving notes with maturities of 90 days or less | 3,694 | (7,828) |
| Proceeds from revolving notes with maturities longer than 90 days | 13,373 | 5,698 |
| Repayments of revolving notes with maturities longer than 90 days | (6,194) | |
| Proceeds from issuance of notes payable | 231,250 | 1,821 |
| Debt issuance costs | (7,857) | (109) |
| Repayments of notes payable | (238,569) | (28,357) |
| Gross proceeds from equity offering | 63,180 | 56,250 |
| Expenses from equity offering | (420) | (3,525) |
| Other | 26 | 29 |

| | | |
|---|-----------------|---------------|
| Net cash provided by financing activities | 58,483 | 23,979 |
| Effect of exchange rate changes | 391 | 652 |
| Increase (decrease) in cash and cash equivalents | (64,562) | 40,408 |
| Cash and cash equivalents | | |
| Beginning of period | 98,864 | 76,187 |
| End of period | \$ 34,302 | \$ 116,595 |
| Cash paid during the period for | | |
| Interest | \$ 25,850 | \$ 27,580 |
| Income taxes paid, net of refunds | \$ 866 | \$ (13,943) |

The accompanying notes are an integral part of these statements.

Table of Contents***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, 2011 and for the three and nine months ended May 31, 2011 and 2010 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 and cash flows for the periods indicated. The results of operations for the three and nine months ended May 31, 2011 are not necessarily indicative of the results to be expected for the entire year ending August 31, 2011.

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 2010 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 the accompanying prior period Consolidated Financial Statements to conform to the 2011 presentation. The effect of such reclassifications on the Consolidated Balance Sheet as of August 31, 2010 was to increase Inventories by \$19.0 million (from \$185.6 million as previously reported to \$204.6 million) and to reduce Assets held for sale by \$19.0 million (from \$31.8 million as previously reported to \$12.8 million). The Assets held for sale caption, after such reclassification, has been re-titled Leased railcars for syndication. For the Consolidated Statements of Operations, the gain on extinguishment of debt (\$1.3 million for the three and nine months ended May 31, 2010) previously included within the line item Interest and foreign exchange has been reclassified to a separate line item captioned Loss (gain) on extinguishment of debt.

Change in Presentation to Prior Year Financial Statements Historically, the Company has reported Gain on disposition of leased equipment as a net amount in Revenue. Based on discussions with the Securities and Exchange Commission, the Company has changed its financial statement presentation to now report these amounts as a separate line item captioned Gain on disposition of equipment, which is a component of operating income below margin. This change in presentation resulted in a decrease in Revenue and corresponding increase in Gain on disposition of equipment of \$4.0 million for the three months ended May 31, 2010 and of \$5.7 million for the nine months ended May 31, 2010. Such change in presentation did not result in any change to Net earnings (loss) attributable to Greenbrier.

Initial Adoption of Accounting Policies In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (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 Accounting Standards Codification (ASC) 810, *Consolidations*, was effective for the Company as of September 1, 2010. The initial adoption did not have an effect on the Company's Consolidated Financial Statements.

Table of Contents**THE GREENBRIER COMPANIES, INC.**

Prospective Accounting Changes In June 2011, an accounting standard update was issued regarding the presentation of other comprehensive income in the financial statements. The standard eliminated the option of presenting other comprehensive income as part of the statement of changes in equity and instead requires the Company to present other comprehensive income as either a single statement of comprehensive income combine with net income or as two separate but continuous statements. This amendment will be effective for the Company as of September 1, 2012. The Company currently reports other comprehensive income in the Consolidated Statement of Equity and Comprehensive Income (Loss) and will be required to update the presentation of comprehensive income to be in compliance with the new standard.

Note 2 Loss (Gain) on Extinguishment of Debt

The results of operations for the three and nine months ended May 31, 2011 include a loss on extinguishment of debt of \$10.0 million associated with the write-off of unamortized debt acquisition costs of \$2.9 million and prepayment premiums and other costs of \$7.1 million due to the full retirement of the \$235.0 million senior unsecured notes during the third quarter.

The results of operations for the three and nine months ended May 31, 2010 include a gain on extinguishment of debt of \$1.3 million. This includes a \$2.3 million gain on extinguishment of debt associated with the early retirement of \$22.2 million of convertible senior notes which was offset by \$1.0 million for the proportionate write-off of loan fees and debt discount related to the early repayments on the convertible note and certain term loans.

Note 3 Inventories

(In thousands)

| | May 31, 2011 | August 31, 2010 |
|------------------------------------|-----------------|--------------------|
| Supplies and raw materials | \$ 178,436 | \$ 119,306 |
| Work-in-process | 90,286 | 70,394 |
| Finished goods | 25,189 | 19,022 |
| Lower of cost or market adjustment | (4,171) | (4,096) |
| | \$ 289,740 | \$ 204,626 |

Note 4 Leased Railcars for Syndication

Leased railcars for syndication consist of newly-built railcars, manufactured by one of the Company's facilities, which have been placed on lease to a customer and which the Company intends to sell to an investor with the lease attached. These railcars are not depreciated and are anticipated to be sold within six months of delivery of the last railcar on the underlying lease. The Company does not believe any economic value of a railcar is lost in the first six months; therefore the Company does not depreciate these assets. In the event the railcars are not sold, the railcars are transferred to Equipment on operating leases and depreciated. As of May 31, 2011 Leased railcars for syndication were \$58.3 million compared to \$12.8 million as of August 31, 2010.

Table of Contents**THE GREENBRIER COMPANIES, INC.****Note 5 Intangibles and other assets**

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

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

| <i>(In thousands)</i> | May 31, 2011 | August 31, 2010 |
|---|-----------------|--------------------|
| Intangible assets subject to amortization: | | |
| Customer relationships | \$ 66,825 | \$ 66,825 |
| Accumulated amortization | (16,816) | (13,701) |
| Other intangibles | 5,274 | 5,003 |
| Accumulated amortization | (3,382) | (2,845) |
| | 51,901 | 55,282 |
| Intangible assets not subject to amortization | 912 | 912 |
| Prepaid and other assets | 35,477 | 34,485 |
| | 51,901 | 55,282 |
| Total intangible and other assets | \$ 88,290 | \$ 90,679 |

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, 2011 was \$1.2 million and \$3.6 million and for the three and nine months ended May 31, 2010 was \$1.2 million and \$3.6 million. Amortization expense for the years ending August 31, 2011, 2012, 2013, 2014 and 2015 is expected to be \$4.7 million, \$4.5 million, \$4.4 million, \$4.3 million and \$4.3 million.

Note 6 Investment in Unconsolidated Affiliates

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 LLC by affiliates of WL Ross & Co., LLC (WL Ross). The Company paid a \$6.1 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. While the Company acts as asset manager to WLR-GBX, it is not the primary beneficiary. The Company has no authority to make decisions regarding key business activities that most significantly impact the entity's economic performance, such as asset re-marketing and disposition activities, which requires the approval of affiliates of WL Ross.

Summarized financial data for WLR-GBX:

| <i>(In thousands)</i> | May 31, 2011 | August 31, 2010 |
|-----------------------|-----------------|--------------------|
| Current assets | \$ 6,643 | \$ 2,939 |
| Total assets | \$ 252,645 | \$ 255,889 |
| Current liabilities | \$ 5,209 | \$ 2,659 |
| Equity | \$ 17,511 | \$ 17,441 |

Table of Contents**THE GREENBRIER COMPANIES, INC.**

| <i>(In thousands)</i> | Nine Months Ended May 31, | |
|-----------------------|------------------------------|------------|
| | 2011 | 2010 |
| Revenue | \$ 12,922 | \$ 1,613 |
| Net loss | \$ (3,542) | \$ (1,794) |

In June 2003, the Company acquired a 33% minority ownership interest in Ohio Castings LLC, a joint venture which produces castings for freight cars. This joint venture is accounted for under the equity method and the investment is included in Intangibles and other assets on the Consolidated Balance Sheets. The facility had been idled but has re-opened during the third quarter of fiscal 2011. The Company, along with the other partners, has made additional investments during fiscal year 2011, the Company's share of which was \$0.9 million. Additional investments may be required.

Summarized financial data for the castings joint venture is as follows:

| <i>(In thousands)</i> | May 31, 2011 | August 31, 2010 |
|-----------------------|-----------------|--------------------|
| Current assets | \$ 3,132 | \$ 2,455 |
| Total assets | \$ 13,968 | \$ 14,205 |
| Current liabilities | \$ 1,175 | \$ 1,535 |
| Equity | \$ 11,311 | \$ 11,682 |

| <i>(In thousands)</i> | Nine Months Ended May 31, | |
|-----------------------|------------------------------|------------|
| | 2011 | 2010 |
| Revenue | \$ 32 | \$ |
| Net loss | \$ (3,072) | \$ (2,043) |

Note 7 Revolving Notes

All amounts originating in foreign currency have been translated at the May 31, 2011 exchange rate for the following discussion. As of May 31, 2011 senior secured credit facilities, consisting of three components, aggregated \$130.0 million. As of May 31, 2011 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, 2011, lines of credit totaling \$20.0 million secured by certain 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 April 2012 through December 2012. In addition, the Company's Mexican joint venture has a line of credit of up to \$10.0 million secured by certain of the joint venture's accounts receivable and inventory. Advances under this facility bear interest at LIBOR plus 2.5% and are due 180 days after the date of borrowing. Currently the outstanding advances have maturities that range from July 2011 to November 2011. The Mexican joint venture will be able to draw against the facility through August 2011.

As of May 31, 2011 outstanding borrowings under these facilities consists of \$3.9 million in letters of credit outstanding under the North American credit facility, \$6.7 million outstanding under the European credit facilities and \$7.2 million outstanding under the Mexican joint venture credit facility.

Table of Contents**THE GREENBRIER COMPANIES, INC.**

Subsequent to quarter end, Greenbrier entered into a five-year \$245.0 million revolving line of credit, maturing June 30, 2016. The facility is secured by substantially all of the Company's assets in the United States not otherwise pledged as security for term loans. This replaces the \$100.0 million revolving line of credit maturing November 2011. See Note 20 Subsequent Events.

Note 8 Accounts Payable and Accrued Liabilities

| <i>(In thousands)</i> | May 31, 2011 | August 31, 2010 |
|--|-----------------|--------------------|
| Trade payables and other accrued liabilities | \$ 218,593 | \$ 141,767 |
| Accrued payroll and related liabilities | 22,816 | 19,025 |
| Accrued maintenance | 10,335 | 12,460 |
| Accrued warranty | 7,027 | 6,304 |
| Other | 2,590 | 2,082 |
| | \$ 261,361 | \$ 181,638 |

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:

| <i>(In thousands)</i> | Three Months Ended May 31, | | Nine Months Ended May 31, | |
|--------------------------------|-------------------------------|----------|------------------------------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| Balance at beginning of period | \$ 6,381 | \$ 7,480 | \$ 6,304 | \$ 8,184 |
| Charged to cost of revenue | 1,080 | 243 | 1,731 | 344 |
| Payments | (449) | (743) | (1,050) | (1,540) |
| Currency translation effect | 15 | (59) | 42 | (67) |
| Balance at end of period | \$ 7,027 | \$ 6,921 | \$ 7,027 | \$ 6,921 |

Note 10 Notes Payable

| <i>(In thousands)</i> | May 31, 2011 | August 31, 2010 |
|------------------------------------|-----------------|--------------------|
| Convertible senior notes, due 2018 | \$ 230,000 | \$ |
| Convertible senior notes, due 2026 | 67,724 | 67,724 |
| Term loans | 209,765 | 212,019 |
| Senior unsecured notes | | 235,000 |
| Other notes payable | 111 | 176 |
| | 507,600 | 514,919 |
| Debt discount net of amortization | (10,772) | (16,219) |

\$ 496,828 \$ 498,700

Convertible senior notes, due 2018, bear interest at a fixed rate of 3.5%, paid semi-annually in arrears on April 1st and October 1st. The convertible notes will mature on April 1, 2018, unless earlier repurchased by Greenbrier or

12

Table of Contents***THE GREENBRIER COMPANIES, INC.***

converted in accordance with their terms prior to such date. The convertible notes are senior unsecured obligations and rank equally with other senior unsecured debt. The convertible notes are convertible into shares of the Company's common stock, at an initial conversion rate of 26.2838 shares per \$1,000 principal amount of the notes (which is equal to an initial conversion price of \$38.05 per share). The initial conversion rate and conversion price are subject to adjustment upon the occurrence of certain events, such as distributions, dividends or stock splits. There were \$7.9 million in debt issuance costs, included in Intangibles and other assets on the Consolidated Balance Sheets, which will be amortized using the effective interest method. The amortization expense is being included in Interest and foreign exchange on the Consolidated Statements of Operations.

Convertible senior notes, due 2026, bear interest at a fixed rate of 2%, paid semi-annually in arrears on May 1st 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. 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 or 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. Payment on the convertible notes is guaranteed by substantially all of the Company's material domestic subsidiaries. The convertible senior notes are 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. The debt discount associated with the convertible senior notes is being accreted using the effective interest rate method through May 2013 and the accretion expense is being included in Interest and foreign exchange on the Consolidated Statements of Operations. The pre-tax accretion of the debt discount was \$0.8 million and \$2.2 million for the three and nine months ended May 31, 2011 and is expected to be approximately \$3.0 million for the year ending August 31, 2011, \$3.3 million for the year ending August 31, 2012 and \$2.5 million for the year ending August 31, 2013.

Term loans are primarily comprised of:

A senior term note with an initial balance of \$100.0 million, secured by a pool of leased railcars, maturing in March 2014. 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 maturity. An interest rate swap agreement was entered into, on fifty percent of the initial balance, to swap the floating interest rate of LIBOR plus 1% to a fixed rate of 4.24%. At May 31, 2011, the notional amount of the agreement was \$44.6 million and matures in March 2014.

A senior term note with an initial balance of \$50.0 million, secured by a pool of leased railcars, maturing in May 2015. 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 maturity.

A term loan with an initial balance of \$75.0 million, principally secured by all of a subsidiary's assets, maturing in June 2012. The loan contains no financial covenants, is non-amortizing and requires mandatory prepayments under certain circumstances. The balance as of May 31, 2011 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 maturity. In connection with the loan, the Company has outstanding warrants to purchase 3.401 million shares of its common stock at \$5.96 per share, both subject to adjustment in certain circumstances. The warrants have a five-year term which expires June 2014. 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 \$1.1 million and \$3.2 million for the three and nine months ended May 31, 2011. Subsequent to quarter end, this term loan was repaid in full. See Note 20 Subsequent Events. In conjunction with the repayment, the remaining debt discount

of \$3.9 million was written off to Loss on extinguishment of debt.
During the third quarter of fiscal 2011, the Company retired the full \$235.0 million of senior unsecured notes and recorded \$10.0 million as Loss on extinguishment of debt for the write-off of unamortized debt acquisition costs and prepayment premiums.

Table of Contents**THE GREENBRIER COMPANIES, INC.**

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,

| | |
|-------------------------------|------------|
| 2011 (Remaining three months) | \$ 1,041 |
| 2012 | 77,565 |
| 2013 | 72,215 |
| 2014 | 84,707 |
| 2015 | 41,931 |
| Thereafter | 230,141 |
| | \$ 507,600 |

Note 11 Equity

On December 16, 2010, the Company issued 3,000,000 shares of its common stock in an underwritten at-the-market public offering at \$21.06 per share, less expenses resulting in net proceeds of \$62.8 million.

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. The combined issuance resulted in net proceeds of \$52.7 million.

Note 12 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:

| (In thousands) | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------|-------------------|--------|
| | May 31, | | May 31, | |
| | 2011 | 2010 | 2011 | 2010 |
| Weighted average basic common shares outstanding ⁽¹⁾ | 24,127 | 18,220 | 22,893 | 17,477 |
| Dilutive effect of employee stock options ⁽²⁾ | | 6 | | |
| Dilutive effect of warrants-treasury stock method ⁽²⁾ | | 1,832 | | |
| Dilutive effect of convertible notes ⁽³⁾ | | | | |
| Weighted average diluted common shares outstanding | 24,127 | 20,058 | 22,893 | 17,477 |

(1) Excludes 0.8 million shares of unvested restricted stock for the three and nine months ended May 31, 2011 due to net loss.

(2) Dilutive effect of common stock equivalents is excluded from per share calculations for the three and nine months ended May 31, 2011 and nine months ended May 31, 2010 due to net loss. The dilutive effect of warrants

of 3.4 million shares was excluded from per share calculations for three months ended May 31, 2011 and nine months ended May 31, 2011 and 2010 due to net loss.

- (3) Excludes dilutive effect of convertible notes of 3.7 million and 1.3 million for the three and nine months ended May 31, 2011 due to net loss.

Table of Contents**THE GREENBRIER COMPANIES, INC.****Note 13 Stock Based Compensation**

The value of stock awarded under restricted stock grants is amortized as compensation expense over the vesting period which is generally one to five years. For the three and nine months ended May 31, 2011, \$2.4 million and \$5.0 million in compensation expense was recorded for restricted stock grants. 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.

Note 14 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, 2011 exchange rates, forward exchange contracts for the purchase of Polish Zloty and the sale of Euros aggregated \$78.7 million. Adjusting the foreign currency exchange contracts to the fair value of the cash flow hedges at May 31, 2011 resulted in an unrealized pre-tax gain of \$114 thousand 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 July 2012, 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, 2011, an interest rate swap agreement had a notional amount of \$44.6 million and matures March 2014. The fair value of this cash flow hedge at May 31, 2011 resulted in an unrealized pre-tax loss of \$4.3 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, 2011 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 | | |
|--|------------------------|-------------------------|----------------------------|--|-------------------------|----------------------------|
| | Balance sheet location | May 31, 2011 Fair Value | August 31, 2010 Fair Value | Balance sheet location | May 31, 2011 Fair Value | August 31, 2010 Fair Value |
| <i>(In thousands)</i> | | | | | | |
| Derivatives designated as hedging instruments | | | | | | |
| Foreign forward exchange contracts | Accounts receivable | \$ 805 | \$ 573 | Accounts payable and accrued liabilities | \$ 352 | \$ 215 |
| Interest rate swap contracts | Other assets | | | Accounts payable and accrued liabilities | 4,264 | 5,141 |
| | | \$ 805 | \$ 573 | | \$ 4,616 | \$ 5,356 |

**Derivatives not designated as hedging
instruments**

| | | | | | | | | | |
|---------------------------------------|------------------------|----|-----|----|-----|---|----|----|----|
| Foreign forward exchange contracts | Accounts receivable | \$ | 119 | \$ | 111 | Accounts payable and accrued liabilities | \$ | \$ | 14 |
| 15 | | | | | | | | | |

Table of Contents**THE GREENBRIER COMPANIES, INC.****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, 2011 | | 2010 | |
|--|---|--|---|---|--|---------|------|----------|
| | Gain (loss) recognized in OCI ⁽¹⁾ | Location of gain (loss) reclassified from accumulated OCI ⁽¹⁾ into income | Gain (loss) reclassified from accumulated OCI ⁽¹⁾ into income (effective portion) | 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) | 2011 | 2010 | 2010 |
| Foreign forward exchange contract | | Interest and foreign exchange | | | | \$ (39) | | \$ (387) |
| Derivatives in cash flow hedging relationships | on derivatives (effective portion) Nine months ended May 31, 2011 | OCI ⁽¹⁾ into income | accumulated OCI ⁽¹⁾ into income (effective portion) Nine months ended May 31, 2011 | Interest and foreign exchange | Interest and foreign exchange | | | |
| Foreign forward exchange contracts | \$ 450 | \$ 358 | Revenue \$ 599 | \$ 387 | | | | \$ |
| Interest rate swap contracts | 2,216 | (457) | Interest and foreign exchange (1,339) | (1,370) | Interest and foreign exchange | | | |
| | \$ 2,666 | \$ (99) | \$ (740) | \$ (983) | | | | \$ |

(1) Other comprehensive income (loss)

Note 15 Segment Information

Greenbrier operates in three reportable segments: Manufacturing, Wheel Services, 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 2010 Annual Report on Form 10-K.

Performance is evaluated based on margin. The integrated business model in which Greenbrier operates, results in selling and administrative costs being intertwined among the segments. Any allocation of these costs would be subjective and not meaningful and as a result, Greenbrier's management does not allocate these costs for either external or internal reporting purposes. Intersegment sales and transfers are valued as if the sales or transfers were to third parties. Related revenue and margin is eliminated in consolidation and therefore are not included in consolidated results in the Company's Consolidated Financial Statements.

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 | | Nine Months Ended | |
|---------------------------------------|--------------------|------------|-------------------|------------|
| | May 31, | | May 31, | |
| | 2011 | 2010 | 2011 | 2010 |
| Revenue: | | | | |
| Manufacturing | \$ 198,181 | \$ 78,166 | \$ 493,751 | \$ 226,734 |
| Wheel Services, Refurbishment & Parts | 136,888 | 113,829 | 359,833 | 301,807 |
| Leasing & Services | 17,769 | 18,591 | 51,952 | 54,303 |
| Intersegment eliminations | (35,558) | (3,155) | (104,982) | (5,404) |
| | \$ 317,280 | \$ 207,431 | \$ 800,554 | \$ 577,440 |

16

Table of Contents**THE GREENBRIER COMPANIES, INC.**

| | Three Months Ended May 31, | | Nine Months Ended May 31, | |
|--|-------------------------------|----------|------------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Margin: | | | | |
| Manufacturing | \$ 14,813 | \$ 8,946 | \$ 29,574 | \$ 19,634 |
| Wheel Services, Refurbishment & Parts | 15,115 | 14,517 | 34,574 | 34,472 |
| Leasing & Services | 8,222 | 8,381 | 24,307 | 21,912 |
| Segment margin total | 38,150 | 31,844 | 88,455 | 76,018 |
| Less unallocated expenses: | | | | |
| Selling and administrative | 22,580 | 17,519 | 58,212 | 50,686 |
| Gain on disposition of equipment | (1,678) | (4,024) | (6,148) | (5,659) |
| Interest and foreign exchange | 9,807 | 10,811 | 30,646 | 34,328 |
| Loss (gain) on extinguishment of debt | 10,007 | (1,275) | 10,007 | (1,275) |
| Earnings (loss) before income taxes and loss from unconsolidated affiliates | \$ (2,566) | \$ 8,813 | \$ (4,262) | \$ (2,062) |

Note 16 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 140 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. The Feasibility Study is being developed and is expected to be submitted in the fourth calendar quarter of 2011. Eighty-three parties, including the State of Oregon and the federal government, 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 Consolidated Financial Statements, 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:

Table of Contents***THE GREENBRIER COMPANIES, INC.***

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 railcars 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 railcars 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 freight 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. 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. 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. As of May 31, 2011, the Company has \$4.6 million of the potential obligation remaining in deferred revenue. The Company has entered into contingent rental assistance agreements, aggregating up to a maximum of \$5.5 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 one year. 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, 2011 an accrual of \$3 thousand and \$8 thousand was recorded to cover future obligations. For the three and nine months ended May 31, 2010 an accrual of \$25 thousand and \$0.2 million was made to cover estimated obligations as management determined no additional rental shortfall was probable. There was no remaining balance of the accrued liability as May 31, 2011. 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 \$7.2 million in bank and third party performance and warranty guarantee facilities, all of which have been utilized as of May 31, 2011. To date no amounts have been drawn under these performance and warranty guarantee facilities.

At May 31, 2011, the Mexican joint venture had \$8.2 million of third party debt, for which the Company has guaranteed 50% or approximately \$4.1 million.

Table of Contents**THE GREENBRIER COMPANIES, INC.**

As of May 31, 2011 the Company has outstanding letters of credit aggregating \$3.9 million associated with facility leases and payroll.

Note 17 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:

| <i>(In thousands)</i> | Carrying Amount | Estimated Fair Value |
|-------------------------------------|--------------------|-------------------------|
| Notes payable as of May 31, 2011 | \$ 496,828 | \$ 440,039 |
| Notes payable as of August 31, 2010 | \$ 498,700 | \$ 482,589 |

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 18 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 unadjusted quoted prices in active markets for identical instruments;
- Level 2 inputs, other than the quoted market prices in active markets for similar instruments, 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, 2011 are:

| <i>(In thousands)</i> | Total | Level 1 | Level 2 ⁽¹⁾ | Level 3 |
|---------------------------------------|-----------|-----------|------------------------|------------|
| Assets: | | | | |
| Derivative financial instruments | \$ 924 | \$ | \$ 924 | \$ |
| Nonqualified savings plan investments | 6,897 | 6,897 | | |
| Cash equivalents | 14,667 | 14,667 | | |
| | \$ 22,488 | \$ 21,564 | \$ 924 | \$ |
| Liabilities: | | | | |
| Derivative financial instruments | \$ 4,616 | \$ | \$ 4,616 | \$ |

- (1) Level 2 assets include derivative financial instruments which are valued based on significant observable inputs. See Note 11 Derivative Instruments for further discussion.

Table of Contents**THE GREENBRIER COMPANIES, INC.**

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

| <i>(In thousands)</i> | Total | Level 1 | Level 2 | Level 3 |
|---------------------------------------|-----------|-----------|----------|---------|
| Assets: | | | | |
| Derivative financial instruments | \$ 684 | \$ | \$ 684 | \$ |
| Nonqualified savings plan investments | 6,489 | 6,489 | | |
| Cash equivalents | 57,300 | 57,300 | | |
| | \$ 64,473 | \$ 63,789 | \$ 684 | \$ |
| Liabilities: | | | | |
| Derivative financial instruments | \$ 5,370 | \$ | \$ 5,370 | \$ |

Note 19 Guarantor/Non Guarantor

The convertible senior notes due 2026 (the Notes) issued on May 22, 2006 are fully and unconditionally and jointly and severally guaranteed by substantially all of Greenbrier's material 100% 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 Railcar Services - Tierra Blanca S.A. de C.V., YSD Doors, 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, 2011 and August 31, 2010 and for the three and nine months ended May 31, 2011 and 2010. 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.

Table of Contents**THE GREENBRIER COMPANIES, INC.**

The Greenbrier Companies, Inc.
 Condensed Consolidating Balance Sheet
 May 31, 2011
(In thousands, unaudited)

| | Parent | Combined Guarantor Subsidiaries | Combined Non- Guarantor Subsidiaries | Eliminations | Consolidated |
|---|------------|---------------------------------------|---|--------------|--------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 28,875 | \$ 486 | \$ 4,941 | \$ | \$ 34,302 |
| Restricted cash | | 2,217 | | | 2,217 |
| Accounts receivable/intercompany receivable (payable), net | 99,548 | 49,458 | (5,516) | 1 | 143,491 |
| Inventories | | 150,104 | 139,647 | (11) | 289,740 |
| Leased railcars for syndication | | 58,346 | | (30) | 58,316 |
| Equipment on operating leases, net | | 316,122 | | (2,016) | 314,106 |
| Investment in direct finance leases | | 123 | | | 123 |
| Property, plant and equipment, net | 6,443 | 97,457 | 46,191 | | 150,091 |
| Goodwill | | 137,066 | | | 137,066 |
| Intangibles and other assets | 563,663 | 95,001 | 3,227 | (573,601) | 88,290 |
| | \$ 698,529 | \$ 906,380 | \$ 188,490 | \$ (575,657) | \$ 1,217,742 |
| Liabilities and Equity | | | | | |
| Revolving notes | \$ | \$ | \$ 13,897 | \$ | \$ 13,897 |
| Accounts payable and accrued liabilities | 1,405 | 159,666 | 100,289 | 1 | 261,361 |
| Deferred income taxes | (13,538) | 94,999 | (5,116) | (485) | 75,860 |
| Deferred revenue | 504 | 5,159 | 158 | | 5,821 |
| Notes payable | 358,702 | 135,864 | 2,262 | | 496,828 |
| Total equity Greenbrier | 351,456 | 510,692 | 64,481 | (575,173) | 351,456 |
| Noncontrolling interest | | | 12,519 | | 12,519 |
| Total Equity | 351,456 | 510,692 | 77,000 | (575,173) | 363,975 |
| | \$ 698,529 | \$ 906,380 | \$ 188,490 | \$ (575,657) | \$ 1,217,742 |

Table of Contents**THE GREENBRIER COMPANIES, INC.**

The Greenbrier Companies, Inc.
 Condensed Consolidating Statement of Operations
 For the three months ended May 31, 2011
(In thousands, unaudited)

| | Parent | Combined Guarantor Subsidiaries | Combined Non- Guarantor Subsidiaries | Eliminations | Consolidated |
|--|----------|---------------------------------------|---|--------------|-------------------|
| Revenue | | | | | |
| Manufacturing | \$ | \$ 108,654 | \$ 131,987 | \$ (67,154) | \$ 173,487 |
| Wheels Services, Refurbishment & Parts | | 128,165 | | (1,848) | 126,317 |
| Leasing & Services | 1,075 | 16,705 | | (304) | 17,476 |
| | 1,075 | 253,524 | 131,987 | (69,306) | 317,280 |
| Cost of revenue | | | | | |
| Manufacturing | | 101,707 | 124,057 | (67,090) | 158,674 |
| Wheel Services, Refurbishment & Parts | | 113,067 | | (1,865) | 111,202 |
| Leasing & Services | | 9,272 | | (18) | 9,254 |
| | | 224,046 | 124,057 | (68,973) | 279,130 |
| Margin | 1,075 | 29,478 | 7,930 | (333) | 38,150 |
| Selling and administrative Gain on disposition of equipment | 11,022 | 5,904 (1,678) | 5,654 | | 22,580 (1,678) |
| Earnings (loss) from operations | (9,947) | 25,252 | 2,276 | (333) | 17,248 |
| Other costs | | | | | |
| Interest and foreign exchange | 8,448 | 1,001 | 663 | (305) | 9,807 |
| Loss on extinguishment of debt | 10,007 | | | | 10,007 |
| Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates | (28,402) | 24,251 | 1,613 | (28) | (2,566) |
| Income tax (expense) benefit | 10,234 | (9,561) | (371) | (1) | 301 |
| Earnings (loss) before earnings (loss) from unconsolidated affiliates | (18,168) | 14,690 | 1,242 | (29) | (2,265) |
| Earnings (loss) from unconsolidated affiliates | 14,854 | (504) | | (14,889) | (539) |

| | | | | | |
|---|-------------------|------------------|---------------|--------------------|-------------------|
| Net earnings (loss) | (3,314) | 14,186 | 1,242 | (14,918) | (2,804) |
| Net earnings attributable to noncontrolling interest | | | (541) | 31 | (510) |
| Net earnings (loss) attributable to Greenbrier | \$ (3,314) | \$ 14,186 | \$ 701 | \$ (14,887) | \$ (3,314) |

Table of Contents**THE GREENBRIER COMPANIES, INC.**

The Greenbrier Companies, Inc.
 Condensed Consolidating Statement of Operations
 For the nine months ended May 31, 2011
(In thousands, unaudited)

| | Parent | Combined Guarantor Subsidiaries | Combined Non- Guarantor Subsidiaries | Eliminations | Consolidated |
|--|----------|---------------------------------------|---|--------------|--------------|
| Revenue | | | | | |
| Manufacturing | \$ 977 | \$ 219,877 | \$ 333,590 | \$ (138,896) | \$ 415,548 |
| Wheels Services, Refurbishment & Parts | | 343,517 | | (9,917) | 333,600 |
| Leasing & Services | 1,772 | 50,518 | | (884) | 51,406 |
| | 2,749 | 613,912 | 333,590 | (149,697) | 800,554 |
| Cost of revenue | | | | | |
| Manufacturing | | 215,989 | 308,812 | (138,827) | 385,974 |
| Wheel Services, Refurbishment & Parts | | 308,932 | | (9,906) | 299,026 |
| Leasing & Services | | 27,153 | | (54) | 27,099 |
| | | 552,074 | 308,812 | (148,787) | 712,099 |
| Margin | 2,749 | 61,838 | 24,778 | (910) | 88,455 |
| Selling and administrative | 27,004 | 16,475 | 14,733 | | 58,212 |
| Gain on disposition of equipment | | (6,008) | | (140) | (6,148) |
| Earnings (loss) from operations | (24,255) | 51,371 | 10,045 | (770) | 36,391 |
| Other costs | | | | | |
| Interest and foreign exchange | 26,830 | 3,063 | 1,643 | (890) | 30,646 |
| Loss on extinguishment of debt | 10,007 | | | | 10,007 |
| Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates | (61,092) | 48,308 | 8,402 | 120 | (4,262) |
| Income tax (expense) benefit | 22,782 | (19,981) | (1,985) | (4) | 812 |
| Earnings (loss) before earnings (loss) from unconsolidated affiliates | (38,310) | 28,327 | 6,417 | 116 | (3,450) |
| Earnings (loss) from unconsolidated affiliates | 32,141 | 1,896 | | (35,737) | (1,700) |

| | | | | | |
|---|-------------------|------------------|-----------------|--------------------|-------------------|
| Net earnings (loss) | (6,169) | 30,223 | 6,417 | (35,621) | (5,150) |
| Net earnings attributable to noncontrolling interest | | | (1,050) | 31 | (1,019) |
| Net earnings (loss) attributable to Greenbrier | \$ (6,169) | \$ 30,223 | \$ 5,367 | \$ (35,590) | \$ (6,169) |

Table of Contents**THE GREENBRIER COMPANIES, INC.**

The Greenbrier Companies, Inc.
 Condensed Consolidating Statement of Cash Flows
 For the nine months ended May 31, 2011
(In thousands, unaudited)

| | Parent | Combined Guarantor Subsidiaries | Combined Non- Guarantor Subsidiaries | Eliminations | Consolidated |
|--|------------|---------------------------------------|---|--------------|--------------|
| Cash flows from operating activities: | | | | | |
| Net earnings (loss) | \$ (6,169) | \$ 30,223 | \$ 6,417 | \$ (35,621) | \$ (5,150) |
| Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities: | | | | | |
| Deferred income taxes | (14,267) | 7,418 | 1,569 | 4 | (5,276) |
| Depreciation and amortization | 1,962 | 21,835 | 4,430 | (53) | 28,174 |
| Gain on sales of leased equipment | | (2,760) | | (141) | (2,901) |
| Loss on extinguishment of debt (non-cash portion) | 2,868 | | | | 2,868 |
| Accretion of debt discount | 5,446 | | | | 5,446 |
| Stock based compensation | 4,961 | | | | 4,961 |
| Other | | 60 | | 31 | 91 |
| Decrease (increase) in assets | | | | | |
| Accounts receivable | 16,230 | (85,760) | 18,102 | 1 | (51,427) |
| Inventories | | (11,976) | (71,328) | 11 | (83,293) |
| Leased railcars for syndication | | (49,512) | 1,018 | 29 | (48,465) |
| Other | 2,947 | 2,778 | 108 | 1 | 5,834 |
| Increase (decrease) in liabilities | | | | | |
| Accounts payable and accrued liabilities | (9,775) | 47,056 | 39,992 | | 77,273 |
| Deferred revenue | (116) | (4,261) | (1,065) | | (5,442) |
| Net cash provided by (used in) operating activities | 4,087 | (44,899) | (757) | (35,738) | (77,307) |
| Cash flows from investing activities: | | | | | |
| Principal payments received under direct finance leases | | 52 | | | 52 |
| Proceeds from sales of equipment | | 14,179 | | | 14,179 |
| Investment in and net advances to unconsolidated affiliates | (32,141) | (4,575) | | 35,737 | (979) |
| Intercompany advances | (60) | | | 60 | |
| Increase in restricted cash | | 308 | | | 308 |
| Capital expenditures | (1,694) | (45,285) | (12,711) | 1 | (59,689) |

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| | | | | | |
|---|-----------|----------|----------|--------|-----------|
| Net cash provided by (used in) investing activities | (33,895) | (35,321) | (12,711) | 35,798 | (46,129) |
| Cash flows from financing activities | | | | | |
| Net change in revolving notes with maturities of 90 days or less | | | 3,694 | | 3,694 |
| Proceeds from revolving notes with maturities longer than 90 days | | | 13,373 | | 13,373 |
| Repayments of revolving notes with maturities longer than 90 days | | | (6,194) | | (6,194) |
| Intercompany advances | (82,718) | 81,895 | 883 | (60) | |
| Gross proceeds from equity offering | 63,180 | | | | 63,180 |
| Expenses from equity offering | (420) | | | | (420) |
| Proceeds from issuance of notes payable | 230,000 | | 1,250 | | 231,250 |
| Debt issuance costs | (7,857) | | | | (7,857) |
| Repayments of notes payable | (235,000) | (3,164) | (405) | | (238,569) |
| Other | 26 | | | | 26 |
| Net cash provided by (used in) financing activities | (32,789) | 78,731 | 12,601 | (60) | 58,483 |
| Effect of exchange rate changes | | 1,116 | (725) | | 391 |
| Increase (decrease) in cash and cash equivalents | (62,597) | (373) | (1,592) | | (64,562) |
| Cash and cash equivalents | | | | | |
| Beginning of period | 91,472 | 859 | 6,533 | | 98,864 |
| End of period | \$ 28,875 | \$ 486 | \$ 4,941 | \$ | \$ 34,302 |

Table of Contents**THE GREENBRIER COMPANIES, INC.**

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

| | Parent | Combined Guarantor Subsidiaries | Combined Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|------------|---------------------------------------|---|--------------|--------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 91,472 | \$ 859 | \$ 6,533 | \$ | \$ 98,864 |
| Restricted cash | | 2,525 | | | 2,525 |
| Accounts receivable/intercompany receivable (payable), net | 33,001 | 45,154 | 11,094 | 3 | 89,252 |
| Inventories | | 138,128 | 66,498 | | 204,626 |
| Leased railcars for syndication | | 11,786 | 1,018 | | 12,804 |
| Investment in direct finance leases | | 1,795 | | | 1,795 |
| Equipment on operating leases, net | | 304,872 | | (2,209) | 302,663 |
| Property, plant and equipment, net | 6,710 | 89,246 | 36,658 | | 132,614 |
| Goodwill | | 137,066 | | | 137,066 |
| Intangibles and other assets | 525,539 | 96,680 | 2,384 | (533,924) | 90,679 |
| | \$ 656,722 | \$ 828,111 | \$ 124,185 | \$ (536,130) | \$ 1,072,888 |
| Liabilities and Equity | | | | | |
| Revolving notes | \$ | \$ | \$ 2,630 | \$ | \$ 2,630 |
| Accounts payable and accrued liabilities | 11,180 | 112,454 | 58,001 | 3 | 181,638 |
| Deferred income taxes | 728 | 87,582 | (6,685) | (489) | 81,136 |
| Deferred revenue | 621 | 9,693 | 1,063 | | 11,377 |
| Notes payable | 358,255 | 139,029 | 1,416 | | 498,700 |
| Total equity Greenbrier | 285,938 | 479,353 | 56,291 | (535,644) | 285,938 |
| Noncontrolling interest | | | 11,469 | | 11,469 |
| Total Equity | 285,938 | 479,353 | 67,760 | (535,644) | 297,407 |
| | \$ 656,722 | \$ 828,111 | \$ 124,185 | \$ (536,130) | \$ 1,072,888 |

Table of Contents**THE GREENBRIER COMPANIES, INC.**

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 |
| Wheels Services, Refurbishment & Parts | | 109,659 | 1,583 | | 111,242 |
| Leasing & Services | 397 | 18,278 | | (363) | 18,312 |
| | 397 | 142,388 | 65,143 | (497) | 207,431 |
| Cost of revenue | | | | | |
| Manufacturing | | 12,182 | 56,883 | (134) | 68,931 |
| Wheel Services, Refurbishment & Parts | | 95,565 | 1,160 | | 96,725 |
| Leasing & Services | | 9,950 | | (19) | 9,931 |
| | | 117,697 | 58,043 | (153) | 175,587 |
| Margin | 397 | 24,691 | 7,100 | (344) | 31,844 |
| Selling and administrative | 8,444 | 5,469 | 3,606 | | 17,519 |
| Gain on disposition of equipment | | (4,024) | | | (4,024) |
| Earnings (loss) from operations | (8,047) | 23,246 | 3,494 | (344) | 18,349 |
| Other costs | | | | | |
| Interest and foreign exchange | 9,527 | 1,036 | 612 | (364) | 10,811 |
| Gain on extinguishment of debt | (1,275) | | | | (1,275) |
| 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 |
| | 13,496 | (622) | | (13,192) | (318) |

Earnings (loss) from
unconsolidated affiliates

| | | | | | |
|---|-----------------|------------------|-----------------|--------------------|-----------------|
| 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 |

Table of Contents**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 |
| Wheel Services, Refurbishment & Parts | | 296,286 | 1,584 | | 297,870 |
| Leasing & Services | 1,391 | 53,365 | | (1,206) | 53,550 |
| | 1,391 | 420,493 | 169,413 | (13,857) | 577,440 |
| Cost of revenue | | | | | |
| Manufacturing | | 64,971 | 152,705 | (11,290) | 206,386 |
| Wheel Services, 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 | 61,591 | 15,548 | (2,512) | 76,018 |
| Selling and administrative | 24,780 | 15,655 | 10,251 | | 50,686 |
| Gain on disposition of equipment | | (5,659) | | | (5,659) |
| Earnings (loss) from operations | (23,389) | 51,595 | 5,297 | (2,512) | 30,991 |
| Other costs | | | | | |
| Interest and foreign exchange | 29,448 | 3,215 | 2,872 | (1,207) | 34,328 |
| Gain on extinguishment of debt | (1,275) | | | | (1,275) |
| 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) |
| | 28,101 | (3,510) | | (25,223) | (632) |

Earnings (loss) from
unconsolidated affiliates

| | | | | | |
|---|-------------------|------------------|---------------|--------------------|-------------------|
| Net earnings (loss) | (3,433) | 24,728 | 3,309 | (26,273) | (1,669) |
| Net earnings attributable to noncontrolling interest | | | (2,444) | 680 | (1,764) |
| Net earnings (loss) attributable to Greenbrier | \$ (3,433) | \$ 24,728 | \$ 865 | \$ (25,593) | \$ (3,433) |

Table of Contents**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 leased equipment | | (4,032) | | | (4,032) |
| Accretion of debt discount | 6,701 | | | | 6,701 |
| Gain on extinguishment of debt (non-cash portion) | (1,275) | | | | (1,275) |
| Stock based compensation | 4,264 | | | | 4,264 |
| Other | (359) | 186 | (1,974) | 680 | (1,467) |
| Decrease (increase) in assets | | | | | |
| Accounts receivable | (11,051) | 3,588 | 4,797 | 1,051 | (1,615) |
| Inventories | | (17,807) | (9,388) | | (27,195) |
| Leased railcars for syndication | | 10,504 | | | 10,504 |
| Other | (975) | 5,627 | (1,224) | | 3,428 |
| 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 | 3,706 | 53,125 | 5,295 | (25,903) | 36,223 |
| 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) | |

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| | | | | | |
|---|------------|----------|----------|--------|------------|
| 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 | | | | | |
| Net change in revolving notes with maturities of 90 days or less | | | (7,828) | | (7,828) |
| Proceeds from revolving notes with maturities longer than 90 days | | | 5,698 | | 5,698 |
| Intercompany advances | 35,992 | (36,179) | (7,671) | 7,858 | |
| Gross proceeds from equity offering | 56,250 | | | | 56,250 |
| Expenses from equity offering | (3,525) | | | | (3,525) |
| Proceeds from issuance of notes payable | | | 1,821 | | 1,821 |
| Debt issuance costs | | | (109) | | (109) |
| Repayments of notes payable | (23,315) | (4,637) | (405) | | (28,357) |
| Other | 29 | | | | 29 |
| Net cash provided by (used in) financing activities | 65,431 | (40,816) | (8,494) | 7,858 | 23,979 |
| 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 |

Table of Contents

THE GREENBRIER COMPANIES, INC.

Note 20 Subsequent Events

On June 30, 2011, Greenbrier entered into a five-year \$245 million revolving line of credit, maturing June 30, 2016. The Amended Credit Facility is secured by substantially all of the assets of Greenbrier and its material United States Subsidiaries, excluding the stock and assets of certain foreign subsidiaries and assets pledged as security for existing term loans.

This new facility replaces a \$100 million revolving line of credit maturing November 2011. In connection with the entry into this facility, Greenbrier repaid on June 30, 2011 all obligations outstanding under the term loan due June 2012, among Greenbrier, and affiliates of WL Ross & Co. LLC (the WLR Term Loan). Immediately prior to its repayment and termination, there were outstanding borrowings of \$71.8 million under the WLR Term Loan.

The line of credit is 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.

The new facility contains customary representations, warranties, and covenants, including specified restrictions on indebtedness, dispositions, restricted payments, transactions with affiliates, liens, fundamental changes, sale and leaseback transactions and other restrictions.

On June 30, 2011 borrowings by Greenbrier under this facility were approximately \$75.0 million and outstanding letters of credit were approximately \$3.9 million.

Table of Contents

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; Wheel Services, Refurbishment & Parts and Leasing & Services. These three business segments are operationally integrated. The Manufacturing segment, operating from facilities in the United States, Mexico and Poland, produces double-stack intermodal railcars, conventional railcars, tank cars and marine vessels. The Wheel Services, Refurbishment & Parts segment performs railcar repair, refurbishment and maintenance activities in the United States, Mexico and Canada 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 9,000 railcars and provides management services for approximately 214,000 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 through an unconsolidated joint venture.

The rail and marine industries are cyclical in nature. We are continuing to see recovery in the freight car markets in which we operate. Demand for our marine barge products remains soft. Customer orders may be subject to cancellations and contain terms and conditions customary in the industry. Historically, little variation has been experienced between the quantity ordered and the quantity actually delivered. Our railcar and marine backlogs are not necessarily indicative of future results of operations.

Multi-year supply agreements are a part of rail industry practice. Our total manufacturing backlog of railcars as of May 31, 2011 was approximately 13,600 units with an estimated value of \$1.05 billion compared to 4,400 units valued at \$370 million as of May 31, 2010. 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 as of May 31, 2011 was approximately \$250 thousand compared to \$75 million as of May 31, 2010. The recent global strengthening of freight car markets may at times limit the availability of certain components of our products, particularly specialized components such as castings, bolsters and trucks, and this may cause an interruption in production. 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. In May 2010, we issued 4,500,000 shares of our common stock resulting in net proceeds of \$52.7 million. In December 2010, we issued 3,000,000 shares of our common stock resulting in net proceeds of \$62.8 million.

In June 2009, in connection with a secured loan that the WL Ross Group made to us, we issued warrants to the WL Ross Group to acquire 3,377,903 shares of our common stock at an exercise price of \$6.00 per share. WLR

Table of Contents***THE GREENBRIER COMPANIES, INC.***

Recovery Fund IV, L.P. (Recovery Fund) and WLR IV Parallel ESC, L.P. (Parallel Fund) own warrants to purchase 3,276,566 shares of Common Stock and Victoria McManus, a director of the Company, owns warrants to purchase 101,337 shares of Common Stock. The exercise price and the number of shares issuable upon exercise of the warrants are subject to adjustment as provided in the warrant agreement. Our equity offering conducted in December 2010 resulted in an automatic adjustment to the warrants to reduce the exercise price from \$6.00 to \$5.96 and to increase the aggregate number of shares that may be purchased from 3,377,903 to 3,401,095.

In December 2010, we agreed with our joint venture partner to modify, with retroactive effect to September 1, 2010, various agreements concerning the Greenbrier-GIMSA LLC (GIMSA) joint venture. We agreed to increase revenue based fees to each of the partners for services provided to GIMSA, and to extend the initial term of the joint venture to 2019 (after which the agreement is automatically renewed for successive three year terms unless a party elects not to renew). We also agreed to forego our option to increase our ownership percentage of GIMSA from fifty percent to sixty-six & two thirds percent, and GIMSA agreed to forego the right to share, in an equitable manner, the net benefits received from the modification of the long-term new railcar contract with General Electric Railcar Services Corporation.

On March 30, 2011, we entered into a purchase agreement (the Purchase Agreement) with Merrill Lynch, Pierce, Fenner & Smith, Incorporated and Goldman, Sachs & Co. (the Initial Purchasers). Pursuant to the Purchase Agreement, we sold to the Initial Purchasers \$230 million aggregate principal amount of our 3.5% Senior Convertible Notes due 2018 (the Convertible Notes), which included \$15 million principal amount of Convertible Notes subject to the over-allotment option granted to the Initial Purchasers. The over-allotment option was exercised in full and the sale of \$230 million aggregate principal amount of the Convertible Notes closed on April 5, 2011. In connection with the closing, on April 5, 2011, we entered into the indenture (the Convertible Notes Indenture) governing the Convertible Notes. The Convertible Notes Indenture contains terms, conditions and events of default customary for transactions of this nature.

The Convertible Notes bear interest at an annual rate of 3.5%, payable in cash semiannually in arrears on April 1 and October 1 of each year, beginning on October 1, 2011. The Convertible Notes will mature on April 1, 2018, unless earlier repurchased by us or converted in accordance with their terms prior to such date. The Convertible Notes are senior unsecured obligations and rank equally with our other senior unsecured debt. The Convertible Notes are convertible into shares of our common stock at an initial conversion rate of 26.2838 shares per \$1,000 principal amount of the Convertible Notes, which is equivalent to an initial conversion price of approximately \$38.05 per share. The initial conversion rate and conversion price are subject to adjustment upon the occurrence of certain events, such as distributions, dividends or stock splits.

The net proceeds from the sale of the Convertible Notes, together with additional cash on hand, were used to repurchase any and all of our outstanding \$235 million aggregate principal amount of 8 % senior notes due 2015 (the 2015 Notes). There was a one-time charge recorded in association with the early retirement of the 2015 Notes of approximately \$10.0 million for the write-off of unamortized debt acquisition costs, prepayment premiums and other costs.

On June 30, 2011, we entered into a five-year \$245 million revolving line of credit, maturing June 30, 2016. The Amended Credit Facility is secured by substantially all of the assets of Greenbrier and its material United States subsidiaries, excluding the stock and assets of certain foreign subsidiaries and assets pledged as security for existing term loans. This new facility replaces a \$100 million revolving line of credit maturing November 2011. In connection with the entry into this facility, we repaid on June 30, 2011 all obligations outstanding under the term loan due June 2012, among us, and affiliates of WL Ross & Co. LLC (the WLR Term Loan). Immediately prior to its repayment and termination, there were outstanding borrowings of \$71.8 million under the WLR Term Loan. The line of credit is 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. The new facility contains customary representations, warranties, and covenants, including specified restrictions on indebtedness, dispositions, restricted payments, transactions with affiliates, liens, fundamental changes, sale and leaseback transactions and other

restrictions. On June 30, 2011 borrowings under this facility were approximately \$75.0 million and outstanding letters of credit were approximately \$3.9 million.

Table of Contents***THE GREENBRIER COMPANIES, INC.*****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 and wheel services and parts produced under firm orders from third parties. Revenue is recognized when these products are completed, accepted by an unaffiliated customer and contractual contingencies removed. 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 accrued in the month earned based on estimates of use from historical activity and is adjusted to actual as reported. These estimates are inherently uncertain as they involve judgment as to the estimated use of each railcar. Adjustments to actual have historically not been significant.

Revenues from construction of marine barges are either recognized on the percentage of

32

Table of Contents***THE GREENBRIER COMPANIES, INC.***

completion method during the construction period or on the completed contract method based on the terms of the contract. Under the percentage of completion method, judgment is used to determine a definitive threshold against which progress towards completion can be measured to determine timing of revenue recognition.

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 forecast undiscounted future 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. If the forecast undiscounted future cash flows exceeded the carrying amount of the assets it would indicate that the assets were not impaired.

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.

Goodwill and indefinite-lived intangible assets are tested for impairment 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 Accounting Standards Codification (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, 2011 of \$137.1 million relates to the Wheel Services, Refurbishment & Parts segment. Goodwill was tested during the third quarter and the Company concluded that goodwill was not impaired.

Results of Operations**Three Months Ended May 31, 2011 Compared to Three Months Ended May 31, 2010****Overview**

Total revenue for the three months ended May 31, 2011 was \$317.3 million, an increase of \$109.9 million from revenues of \$207.4 million in the prior comparable period. Net loss attributable to Greenbrier for the three months ended May 31, 2011 was \$3.3 million or \$0.14 per diluted common share compared to net earnings attributable to Greenbrier of \$4.6 million or \$0.23 per diluted common share for the three months ended May 31, 2010. The net loss attributable to Greenbrier for the three months ended May 31, 2011 included loss on extinguishment of debt of \$10.0 million pre-tax, \$6.0 million net of tax.

Table of Contents**THE GREENBRIER COMPANIES, INC.***(In thousands)*

| | Three Months Ended May 31, | |
|---|-------------------------------|----------|
| | 2011 | 2010 |
| Margin: | | |
| Manufacturing | \$ 14,813 | \$ 8,946 |
| Wheel Services, Refurbishment & Parts | 15,115 | 14,517 |
| Leasing & Services | 8,222 | 8,381 |
| Segment margin total | 38,150 | 31,844 |
| Less unallocated expenses: | | |
| Selling and administrative | 22,580 | 17,519 |
| Gain on disposition of equipment | (1,678) | (4,024) |
| Interest and foreign exchange | 9,807 | 10,811 |
| Loss (gain) on extinguishment of debt | 10,007 | (1,275) |
| Earnings (loss) before income taxes and loss from unconsolidated affiliates | \$ (2,566) | \$ 8,813 |

Manufacturing Segment

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

Manufacturing revenue for the three months ended May 31, 2011 was \$173.5 million compared to \$77.9 million in the corresponding prior period, an increase of \$95.6 million. Railcar deliveries, which are the primary source of manufacturing revenue, were approximately 2,200 units in the current period compared to approximately 700 units in the prior comparable period. The increase in revenue was primarily due to higher railcar deliveries, somewhat offset by a change in railcar product mix with lower per unit sales prices.

Manufacturing margin as a percentage of revenue for the three months ended May 31, 2011 was 8.5% compared to a margin of 11.5% for the three months ended May 31, 2010. The decrease was primarily the result of a marine and new railcar product mix which had less favorable pricing, as the prior period contained multi-year contracts entered into prior to the downturn. Although the quarter benefited from economies of operating at higher production levels, margins were impacted by inefficiencies associated with temporary shortages of castings.

Wheel Services, Refurbishment & Parts Segment

Wheel Services, Refurbishment & Parts revenue was \$126.3 million for the three months ended May 31, 2011 compared to revenue of \$111.2 million in the prior comparable period. The increase of \$15.1 million was primarily due to higher sales volumes, principally related to our wheel services business, a product mix with a higher average sales price and metal scrapping programs that were just ramping up in the prior comparable period.

Wheel Services, Refurbishment & Parts margin as a percentage of revenue was 12.0% for the three months ended May 31, 2011 compared to 13.1% for the three months ended May 31, 2010. The decrease was primarily the result of a change in product mix which generates higher revenues with no corresponding increase in margin dollars and higher freight costs associated with the impact of severe weather at some of our locations. These decreases were partially offset by higher scrap metal prices and metal scrapping programs that were just ramping up in the prior comparable year.

Leasing & Services Segment

Leasing & Services revenue was \$17.5 million for the three months ended May 31, 2011 compared to \$18.3 million for the three months ended May 31, 2010. The decrease was primarily a result of the discontinuation of a certain management services contract. This was partially offset by increased lease revenues due to an increase in the size of the owned leased fleet and higher rents earned on leased railcars for syndication.

Table of Contents**THE GREENBRIER COMPANIES, INC.**

Leasing & Services margin as a percentage of revenue was 47.0% and 45.8% for the three-month periods ended May 31, 2011 and 2010. The increase was primarily a result of higher rents earned on leased railcars for syndication, which was partially offset by the discontinuation of a certain management services contract.

The percentage of owned units on lease as of May 31, 2011 was 96.8% compared to 94.5% at May 31, 2010.

Selling and Administrative

Selling and administrative expense was \$22.6 million for the three months ended May 31, 2011 compared to \$17.5 million for the comparable prior period, an increase of \$5.1 million. The increase was primarily due to employee related costs which includes the partial restoration of previous salary reductions taken during the downturn and increases in incentive compensation, revenue based fees paid to our joint venture partner in Mexico due to both higher activity levels and a contractual increase in fee percentages, higher research and development costs associated with our manufacturing products, and certain non-recurring items.

Gain on Disposition of Equipment

Gain on disposition of equipment was \$1.7 million for the three months ended May 31, 2011 compared to \$4.0 million for the comparable prior period. The three months ended May 31, 2011 included a \$0.3 million gain that was realized on the disposition of leased assets and a gain of \$1.4 million of insurance proceeds related to the January 2009 fire at one of our Wheel Services, Refurbishment & Parts facilities. The three months ended May 31, 2010 included a \$3.1 million gain that was realized on the disposition of leased assets and a gain of \$0.9 million of insurance proceeds related to the January 2009 fire. Assets from Greenbrier's lease fleet are periodically sold in the normal course of business in order to take advantage of market conditions, manage risk and maintain liquidity.

Other Costs

Interest and foreign exchange expense was \$9.8 million for the three months ended May 31, 2011, compared to \$10.8 million in the prior comparable period.

(In thousands)

| | Three Months Ended May 31, | | Increase (decrease) |
|--|-------------------------------|-----------|------------------------|
| | 2011 | 2010 | |
| Interest and foreign exchange: | | | |
| Interest and other expense | \$ 7,882 | \$ 8,908 | \$ (1,026) |
| Accretion of term loan debt discount | 1,069 | 1,077 | (8) |
| Accretion of convertible debt discount | 757 | 933 | (176) |
| Foreign exchange loss (gain) | 99 | (107) | 206 |
| | \$ 9,807 | \$ 10,811 | \$ (1,004) |

Interest and other expense decreased due to lower debt levels. During the quarter, we repaid \$235.0 million of senior unsecured loans at 8 % and replaced it with \$230.0 million of convertible debt at 3.5%. The decrease in the accretion of the convertible debt discounts was due to the proportionate write-off of the debt discount in the previous year associated with the partial retirement of the convertible senior notes.

Loss (gain) on extinguishment of debt was a loss of \$10.0 million for the three months ended May 31, 2011, compared to a gain of \$1.3 million in the prior comparable period. The current quarter relates to a loss on extinguishment of debt for the write-off of unamortized debt acquisition costs, prepayment premiums and other costs associated with the full retirement of the \$235.0 million senior unsecured notes. The three months ended May 31, 2010 included a \$2.3 million gain on extinguishment of debt associated with the early retirement of \$22.2 million of convertible senior notes (due 2026), which was offset by \$1.0 million for the proportionate write-off of loan fees and debt discount due to early repayments on the convertible note and certain term loans.

Table of Contents**THE GREENBRIER COMPANIES, INC.****Income Tax**

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 34.2% annual effective tax rate. The effective tax rate fluctuates from period to period 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. 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. The tax rate for the three months ended May 31, 2011 was 11.7% as compared to 27.4% in the prior comparable period. The difference between the estimated annual effective tax rate and the actual tax rate is due to discrete expense items.

Loss from Unconsolidated Affiliates

Losses from unconsolidated affiliates were \$0.5 million for the three months ended May 31, 2011 and \$0.3 million for the three months ended May 31, 2010. Losses for the three months ended May 31, 2011 and 2010 include losses from our castings joint venture and from WLR Greenbrier Rail Inc.

Noncontrolling Interest

Noncontrolling interest primarily represents our joint venture partner's share in the earnings of our Mexican railcar manufacturing joint venture that began production in fiscal year 2007.

Nine Months Ended May 31, 2011 Compared to Nine Months Ended May 31, 2010**Overview**

Total revenue for the nine months ended May 31, 2011 was \$800.6 million, an increase of \$223.2 million from revenues of \$577.4 million in the prior comparable period. Net loss attributable to Greenbrier for the nine months ended May 31, 2011 was \$6.2 million or \$0.27 per diluted common share compared to a net loss attributable to Greenbrier of \$3.4 million or \$0.20 per diluted common share for the nine months ended May 31, 2010. The net loss attributable to Greenbrier for the nine months ended May 31, 2011 included a loss on extinguishment of debt of \$10.0 million pre-tax, \$6.0 million net of tax.

(In thousands)

| | Nine Months Ended May 31, | |
|--|------------------------------|------------|
| | 2011 | 2010 |
| Margin: | | |
| Manufacturing | \$ 29,574 | \$ 19,634 |
| Wheel Services, Refurbishment & Parts | 34,574 | 34,472 |
| Leasing & Services | 24,307 | 21,912 |
| Segment margin total | 88,455 | 76,018 |
| Less unallocated expenses: | | |
| Selling and administrative | 58,212 | 50,686 |
| Gain on disposition of equipment | (6,148) | (5,659) |
| Interest and foreign exchange | 30,646 | 34,328 |
| Loss (gain) on extinguishment of debt | 10,007 | (1,275) |
| Loss before income taxes and loss from unconsolidated affiliates | \$ (4,262) | \$ (2,062) |

Manufacturing Segment

Manufacturing revenue for the nine months ended May 31, 2011 was \$415.5 million compared to \$226.0 million in the corresponding prior period, an increase of \$189.5 million. Railcar deliveries, which are the primary source of manufacturing revenue, were approximately 5,400 units in the current period compared to approximately 1,800 units in the prior comparable period. The increase in revenue was primarily due to higher railcar deliveries, somewhat offset

by a decline in marine barge activity and a change in railcar product mix with lower per unit sales prices.

Table of Contents

THE GREENBRIER COMPANIES, INC.

Manufacturing margin as a percentage of revenue for the nine months ended May 31, 2011 was 7.1% compared to 8.7% for the nine months ended May 31, 2010. The decrease was primarily the result of reduction in marine production partially offset by railcar margin improvements principally due to operating at higher production rates.

Wheel Services, Refurbishment & Parts Segment

Wheel Services, Refurbishment & Parts revenue of \$333.6 million for the nine months ended May 31, 2011 increased by \$35.7 million from revenue of \$297.9 million in the prior comparable period. The increase was primarily due to higher sales volumes in wheels and repair and metal scrapping programs that were in effect for only a portion of the prior comparable period.

Wheel Services, Refurbishment & Parts margin as a percentage of revenue was 10.4% for the nine months ended May 31, 2011 compared to 11.6% for the nine months ended May 31, 2010. The decrease was primarily the result of a change in product mix which generates higher revenues with no corresponding increase in margin dollars and the impact of severe weather at some of our locations. These decreases were partially offset by higher scrap metal prices and metal scrapping programs that were in effect for only a portion of the prior comparable year.

Leasing & Services Segment

Leasing & Services revenue decreased \$2.2 million to \$51.4 million for the nine months ended May 31, 2011 compared to \$53.6 million for the nine months ended May 31, 2010. The decrease was primarily a result of the discontinuation of a certain management services contract which was partially offset by higher rents earned on leased railcars for syndication.

Leasing & Services margin as a percentage of revenue increased to 47.3% for the nine months ended May 31, 2011 compared to 40.9% for the nine months ended May 31, 2010. The increase was primarily a result of increased rents earned on leased railcars for syndication and improved margins due to the remarketing of railcars that were stored in the previous year and lower operating costs on railcars in the lease fleet. These were partially offset by the discontinuation of a certain management services contract.

Selling and Administrative

Selling and administrative expense was \$58.2 million for the nine months ended May 31, 2011 compared to \$50.7 million for the comparable prior period, an increase of \$7.5 million. The increase was primarily due to higher employee related costs which includes the partial restoration of previous salary reductions taken during the downturn and increases in incentive compensation, increased revenue based fees paid to our joint venture partner in Mexico due to both higher activity levels and a contractual increase in fee percentages, higher research and development costs associated with our manufacturing products and certain non-recurring items.

Gain on Disposition of Equipment

Gain on disposition of equipment was \$6.1 million for the nine months ended May 31, 2011 compared to \$5.7 million for the comparable prior period. The nine months ended May 31, 2011 included a \$2.9 million gain that was realized on the disposition of leased assets and a gain of \$3.2 million of insurance proceeds related to the January 2009 fire at one of our Wheel Services, Refurbishment & Parts facilities. The nine months ended May 31, 2010 included a \$4.0 million gain that was realized on the disposition of leased assets and a gain of \$1.7 million of insurance proceeds related to the January 2009 fire. Assets from Greenbrier's lease fleet are periodically sold in the normal course of business in order to take advantage of market conditions, manage risk and maintain liquidity.

Table of Contents**THE GREENBRIER COMPANIES, INC.****Other Costs**

Interest and foreign exchange expense was \$30.6 million for the nine months ended May 31, 2011, compared to \$34.3 million in the prior comparable period.

(In thousands)

| | Nine Months Ended May 31, | | Increase (decrease) |
|--|------------------------------|-----------|------------------------|
| | 2011 | 2010 | |
| Interest and foreign exchange: | | | |
| Interest and other expense | \$ 25,057 | \$ 27,245 | \$ (2,188) |
| Accretion of term loan debt discount | 3,207 | 3,307 | (100) |
| Accretion of convertible debt discount | 2,239 | 2,961 | (722) |
| Foreign exchange loss | 143 | 815 | (672) |
| | \$ 30,646 | \$ 34,328 | \$ (3,682) |

Interest and other expense decreased due to lower debt levels. During the third quarter, we repaid \$235.0 million of senior unsecured loans at 8 % and replaced it with \$230.0 million of convertible debt at 3.5%. The decrease in the accretion of the convertible debt discounts was due to the proportionate write-off of the debt discount in the previous year associated with the partial retirement of the convertible senior notes.

Loss (gain) on extinguishment of debt was a loss of \$10.0 million for the nine months ended May 31, 2011, compared to a gain of \$1.3 million in the prior comparable period. The current period relates to a loss on extinguishment of debt for the write-off of unamortized debt acquisition costs, prepayment premiums and other costs associated with the full retirement of the \$235.0 million senior unsecured notes. The nine months ended May 31, 2010 included a \$2.3 million gain on extinguishment of debt associated with the early retirement of \$22.2 million of convertible senior notes (due 2026), which was offset by \$1.0 million for the proportionate write-off of loan fees and debt discount due to early repayments on the convertible note and certain term loans.

Income Tax

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 34.2% annual effective tax rate. The effective tax rate fluctuates from period to period 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. 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. The tax rate for the nine months ended May 31, 2011 was 19.1% as compared to 49.7% in the prior comparable period. The difference between the estimated annual effective tax rate and the actual tax rate is due to discrete expense items.

Loss from Unconsolidated Affiliates

Losses from unconsolidated affiliates were \$1.7 million for the nine months ended May 31, 2011 and \$0.6 million for the nine months ended May 31, 2010. Losses for the nine months ended May 31, 2011 include losses from our castings joint venture and from WLR Greenbrier Rail Inc.

Noncontrolling Interest

Noncontrolling interest primarily represents our joint venture partner's share in the earnings of our Mexican railcar manufacturing joint venture that began production in fiscal year 2007.

Table of Contents***THE GREENBRIER COMPANIES, INC.*****Liquidity and Capital Resources**

We have been financed through cash generated from operations, borrowings and issuance of stock. During the nine months ended May 31, 2011, cash and cash equivalents decreased \$64.6 million to \$34.3 million from \$98.9 million at August 31, 2010.

Cash used in operations was \$77.3 million for the nine months ended May 31, 2011 compared to cash provided by operations for the nine months ended May 31, 2010 of \$36.2 million. The decrease was primarily due to a change in working capital needs as we ramp up production levels and an increase in leased railcars for syndication due to higher activity levels.

Cash used in investing activities was \$46.1 million for the nine months ended May 31, 2011, primarily for capital expenditures, compared to \$20.4 million in the prior comparable period.

Capital expenditures totaled \$59.7 million and \$28.3 million for the nine months ended May 31, 2011 and 2010. Of these capital expenditures, approximately \$30.4 million and \$15.5 million were attributable to Leasing & Services operations. Leasing & Services capital expenditures for 2011, net of proceeds from sales of equipment, are expected to be approximately \$20.0 million. We regularly sell assets from our lease fleet, some of which may have been purchased within the current period and included in capital expenditures. Proceeds from sales of equipment were \$14.2 million and \$14.8 million for the nine months ended May 31, 2011 and 2010.

Approximately \$14.3 million and \$4.5 million of capital expenditures for the nine months ended May 31, 2011 and 2010 were attributable to Manufacturing operations. Capital expenditures for Manufacturing operations are expected to be approximately \$21.0 million in 2011 and primarily relate to enhancements to existing manufacturing facilities and information technology systems implementation.

Wheel Services, Refurbishment & Parts capital expenditures for the nine months ended May 31, 2011 and 2010 were \$15.0 million and \$8.2 million and are expected to be approximately \$25.0 million in 2011 for the opening of a new wheel services facility to replace one previously destroyed by fire, maintenance and improvement of existing facilities and information systems implementation.

Cash provided by financing activities was \$58.5 million for the nine months ended May 31, 2011 compared to \$24.0 million for the nine months ended May 31, 2010. During the nine months ended May 31, 2011 we received \$230.0 million in proceeds from a new convertible loan, net of \$7.9 million in debt issuance costs, and \$1.3 million from a new term loan, \$62.8 million in net proceeds from an equity offering, \$10.9 million in net proceeds from revolving notes borrowings and repaid \$238.6 million in senior notes and other term debt. 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.

All amounts originating in foreign currency have been translated at the May 31, 2011 exchange rate for the following discussion. As of May 31, 2011 senior secured credit facilities, consisting of three components, aggregated \$130.0 million. A \$100.0 million revolving line of credit, maturing November 2011, is secured by substantially all of our assets in the United States not otherwise pledged as security for term loans. The facility is 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 \$20.0 million secured by certain 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 April 2012 through December 2012. In addition, the Mexican joint venture line of credit for up to \$10.0 million is secured by certain of the joint venture's accounts receivable and inventory.

Advances under this facility bear interest at LIBOR plus 2.5% and are due 180 days after the date of borrowing. Currently the Mexican joint venture can borrow on this facility through August 2011. As of May 31, 2011 outstanding borrowings under our facilities consists of \$3.9 million in letters of credit outstanding under the North American credit facility, \$6.7 million outstanding under the European credit facilities and \$7.2 million outstanding under the Mexican joint venture credit facility.

Table of Contents***THE GREENBRIER COMPANIES, INC.***

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 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, 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, 2011 would allow for maximum additional borrowing of \$399.3 million. The Company has an aggregate of \$112.2 million available to draw down under the committed credit facilities as of May 31, 2011. This amount consists of \$96.1 million available on the North American credit facility, \$13.3 million on the European credit facilities and \$2.8 on the Mexican joint venture credit facility.

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.

In addition to the third party financing, Greenbrier has provided financing for a portion of 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, 2011. As of May 31, 2011, the Mexican joint venture had \$8.2 million of third party debt, of which we have guaranteed 50% or approximately \$4.1 million.

In accordance with customary business practices in Europe, we have \$7.2 million in bank and third party performance and warranty guarantee facilities, all of which have been utilized as of May 31, 2011. To date no amounts have been drawn under these performance and warranty guarantees.

We have \$0.5 million in long-term advances to an unconsolidated affiliate which are secured by accounts receivable and inventory. As of May 31, 2011, this same unconsolidated affiliate had \$30 thousand in third party debt of which we have guaranteed 33% or approximately \$10 thousand. The facility had been idled but has re-opened during the third quarter. We, along with our partners, have made additional equity investments during fiscal 2011, of which our share was \$0.9 million. Additional investments will likely be required as production resumes.

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 next twelve months.

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.

Table of Contents***THE GREENBRIER COMPANIES, INC.*****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, 2011, \$78.7 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, 2011, net assets of foreign subsidiaries aggregated \$28.9 million and a 10% strengthening of the United States dollar relative to the foreign currencies would result in a decrease in equity of \$2.9 million, or 0.8% of total 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 \$44.6 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, 2011, 65% of our outstanding debt has fixed rates and 35% has variable rates. At May 31, 2011, 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

During the quarter ended May 31, 2011, we commenced implementation of a new ERP system at our Portland, Oregon manufacturing facility. The ERP implementation is accompanied by process changes and improvements, which we believe will have a favorable impact on the Company's internal control over financial reporting. The key controls surrounding the ERP system have been identified and are subject to our Sarbanes-Oxley testing.

There were no additional changes, other than those noted above, in the Company's internal controls over financial reporting during the quarter ended May 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents***THE GREENBRIER COMPANIES, INC.*****PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

There is hereby incorporated by reference the information disclosed in Note 16 to 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 our products, resulting in lower sales volumes, lower prices, lower lease utilization rates and decreased profits.

We face aggressive competition by a concentrated group of competitors and a number of factors may influence our performance and our results of operations.

We face aggressive competition by a concentrated group of competitors in all geographic markets and in each area of our business. The railcar manufacturing and repair industry is intensely competitive and we expect it to remain so in the foreseeable future. A number of other factors may influence our performance, including without limitation: fluctuations in the demand for newly manufactured railcars or marine barges; fluctuations in demand for wheel services, refurbishment and parts; our ability to adjust to the cyclical nature of the industries in which we operate; 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; domestic and global economic conditions including such matters as embargoes or quotas; growth or reduction in the surface transportation industry; steel and specialty component price fluctuations and availability, scrap surcharges, steel scrap prices and other commodity price fluctuations and their impact on product demand and margin; loss of business from, or a decline in the financial condition of, any of the principal customers that represent a significant portion of our total revenues; 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; and other risks, uncertainties and factors. If we do not compete successfully or if we are affected by any of these factors, our market share and results of operation may be adversely affected.

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 and railcar components replacement rates or refurbishment rates or industry demand for our railcar products weaken or otherwise do not materialize, our financial condition and results of operations would be adversely affected.

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

Our manufacturing backlog represents 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

Table of Contents***THE GREENBRIER COMPANIES, INC.***

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.

We derive a significant amount of our revenue from a limited number of customers, the loss of or reduction of business from 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. 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.

A prolonged decline in demand for our barge products would have an adverse effect on our financial condition and results of 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 coupled with currently weak economic conditions may continue to have an adverse effect on our results of operations by reducing demand for our marine barges. These could reduce our revenues and margins, limit our ability to grow, increase pricing pressure on our products, and otherwise adversely affect our financial results.

We derive a significant amount of our revenue from a limited number of customers, the loss of or reduction of business from 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 and Union Pacific Railroad. 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.

Fluctuations in the availability and price of energy, steel and other raw materials, and our fixed price contracts 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 manufacturing and wheel services, refurbishment and parts businesses.

A significant portion of our business depends upon the adequate supply of steel, components and other raw materials 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 also depend upon the adequate supply of energy at competitive prices. When the price of energy increases it adversely impacts our operating costs and could have an adverse effect upon our ability to conduct our businesses on a cost-effective basis. We cannot be assured that we will continue to have access to supplies of energy or 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.

In some instances, we have 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. However, if the price of steel or other raw materials were to fluctuate in excess of anticipated increases on which we have based our fixed price contracts, or if we were unable to adjust our selling prices or have adequate protection in our contracts against changes in material prices, or if we are unable to 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.

Table of Contents***THE GREENBRIER COMPANIES, INC.***

Decreases in the price of scrap adversely impact our Wheel Services, Refurbishment & Parts margin and revenue. A portion of our Wheel Services, 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.

If we are not able to procure specialty components on commercially reasonable terms or on a timely basis, our business, financial condition and results of operations would be adversely impacted. We rely on limited suppliers for certain components needed in our production.

Our manufacturing operations depend in part on our ability to obtain timely deliveries of materials and components in acceptable quantities and quality from our suppliers. Certain components of our products, particularly specialized components like castings, bolsters and trucks, are currently available from only a limited number of suppliers or even a single supplier. Recent increases in the number of railcars manufactured have increased the demand for such components and continued strong demand has caused temporary shortages and may cause industry-wide shortages if suppliers are the process of ramping up production or reach capacity production. Our dependence on a limited number of suppliers or a single-source supplier involves risks, including limited control over pricing, availability and delivery schedules. If any one or more of our suppliers cease to provide us with sufficient quantities of our components in a timely manner or on terms acceptable to us, or cease to manufacture components of acceptable quality, we could incur disruptions or be limited in our production of our products and we could have to seek alternative sources for these components. We could also incur delays while we attempt to locate and engage alternative qualified suppliers and we might be unable to engage acceptable alternative suppliers on favorable terms, if at all. Any such disruption in our supply of specialized components or increased costs in those components could harm our business and adversely impact our results of operations.

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

During 2008 and 2009, the credit markets and the financial services industry experienced a period of unprecedented turmoil, resulting in tighter availability of credit on more restrictive terms. Such factors 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 remain depressed 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.

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

We are required to perform an annual impairment review of goodwill and indefinite lived assets which could result in impairment write-downs. We perform a goodwill impairment test annually during the third fiscal quarter. Goodwill is also tested more frequently if changes in circumstances or the occurrence of events indicates that a potential impairment exists. 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 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. As of May 31, 2011, we had \$137.1 million of goodwill in our Wheel Services, Refurbishment & Parts segment and \$52.8 million in net identifiable intangible assets. Our stock price can impact the results of the impairment review of goodwill and intangibles. Future write-downs of goodwill and intangibles could affect certain of the financial covenants under debt instruments and could restrict our financial flexibility. In the event of goodwill impairment, we may have to test other intangible assets for impairment. Impairment charges to our goodwill or our indefinite lived assets could impact our results of operations.

Table of Contents***THE GREENBRIER COMPANIES, INC.***

If we or our joint ventures fail to complete capital expenditure projects on time and within budget, or if these projects, once completed, fail to operate as anticipated, such failure could adversely affect our business, financial condition and results of operations.

From time-to-time, we, or our joint ventures, undertake strategic capital projects in order to enhance, expand and/or upgrade facilities and operational capabilities. For instance, we have undertaken an expansion of our wheels services business near North Platte, Nebraska and commenced construction of a new advanced automated wheel facility. In addition, our joint venture in Mexico is currently building a third line of production. Our ability, and our joint ventures ability, to complete these projects on time and within budget, and for us to realize the anticipated increased revenues or otherwise realize acceptable returns on these investments or other strategic capital projects that may be undertaken is subject to a number of risks, many of which are beyond our control, including a variety of market, operational, permitting, and labor related factors. In addition, the cost to implement any given strategic capital project ultimately may prove to be greater than originally anticipated. If we, or our joint ventures, are not able to achieve the anticipated results from the implementation of any of these strategic capital projects, or if unanticipated implementation costs are incurred, our business, financial condition and results of operations may be adversely affected.

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, currency 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. Because we have operations outside the United States, we could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-corruption laws. We operate in parts of the world that have experienced governmental corruption to some degree, and in certain circumstances, strict compliance with anti-corruption laws may conflict with local customs and practices. The failure to comply with laws governing international business practices may result in substantial penalties and fines. Any international expansion or acquisition that we undertake could amplify these risks related to operating outside of the United States.

Table of Contents***THE GREENBRIER COMPANIES, INC.******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.

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, repair and refurbishment of railcars and provision of wheel services and supply of parts. 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.

Our operations in Mexico are dependent on a number of factors, including factors outside of our control. If we experience an interruption of our manufacturing operations in Mexico, our results of operations may be adversely affected.

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. 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. Additionally, we could incur substantial expense and interruption if we are unable to renew our Sahagun, Mexico manufacturing facility's lease on acceptable terms, or at all. Any interruption of our manufacturing operations in Mexico could adversely affect our results of operations.

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

Table of Contents***THE GREENBRIER COMPANIES, INC.***

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 or permits issued to us pursuant to those 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.

In addition to environmental, health and safety laws, the transportation of commodities by railcar raises potential risks in the event of a derailment or other accident. Generally, liability under existing law in the United States for accidents such as derailments depends on the negligence of the party. However, for certain hazardous commodities being shipped, strict liability concepts may apply.

Environmental studies have been conducted on our owned and leased properties that have indicated a need for additional investigation and some remediation. Some of these projects are ongoing. 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 140 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. A draft of the RI study was submitted on October 27, 2009. The Feasibility Study is being developed and is expected to be submitted in the fourth calendar quarter of 2011.

Eighty-three parties, including the State of Oregon and the federal government, 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.

Table of Contents**THE GREENBRIER COMPANIES, INC.*****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

Table of Contents

THE GREENBRIER COMPANIES, INC.

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. Although we maintain liability insurance coverage at commercially reasonable levels compared to similarly-sized heavy equipment manufacturers, 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 operations and the industry we serve, including our customers, 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, demand for our products 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 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 products.

Table of Contents**THE GREENBRIER COMPANIES, INC.*****Changes in accounting standards, including accounting for leases, or inaccurate estimates or assumptions in the application of accounting policies, could adversely affect our financial results.***

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the reported value of our assets or liabilities and financial results and are critical because they require management to make difficult, subjective, and complex judgments about matters that are inherently uncertain. Accounting standard setters and those who interpret the accounting standards (such as the Financial Accounting Standards Board, the SEC, and our independent registered public accounting firm) may amend or even reverse their previous interpretations or positions on how these standards should be applied. In some cases, we could be required to apply a new or revised standard retrospectively, resulting in the restatement of prior period financial statements. In addition, the SEC may soon decide that issuers in the United States should be required to prepare financial statements in accordance with International Financial Reporting Standards, a comprehensive set of accounting standards promulgated by the International Accounting Standards Board, instead of U.S. Generally Accepted Accounting Principles and current proposals could potentially require us to report under the new standards beginning as early as 2015 or 2016. Changes in accounting standards can be hard to predict and can materially impact how we record and report our financial condition and results of operations.

From time to time we may take tax positions that the Internal Revenue Service may contest.

We have in the past and may in the future take tax positions that the Internal Revenue Service (IRS) may contest. Effective with fiscal year 2011, we are required by a new IRS regulation to disclose particular tax positions, taken after the effective date, to the IRS as part of our tax returns for that year and future years. If the IRS successfully contests a tax position that we take, we may be required to pay additional taxes or fines that may adversely affect our results of operation and financial position.

Item 6. Exhibits**(a) List of Exhibits:**

- 10.1 Amendment No. 1 to the Greenbrier Companies Nonqualified Deferred Compensation Plan dated May 25, 2011.
- 10.2 Form of Employee Restricted Share Agreement (time and performance vesting) related to the 2010 Amended and Restated Stock Incentive Plan.
- 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.

Table of Contents

THE GREENBRIER COMPANIES, INC.

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, 2011

By: /s/ Mark J. Rittenbaum
Mark J. Rittenbaum
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: July 8, 2011

By: /s/ James W. Cruckshank
James W. Cruckshank
Senior Vice President and
Chief Accounting Officer
(Principal Accounting Officer)