

GREENBRIER COMPANIES INC

Form 10-Q

July 08, 2009

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**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, 2009

☐ **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
(State of Incorporation)

93-0816972
(I.R.S. Employer Identification No.)

One Centerpointe Drive, Suite 200, Lake Oswego, OR
(Address of principal executive offices)

97035
(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 Regulation 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 the definitions 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 <input checked="" type="radio"/>	Non-accelerated filer <input type="radio"/>	Smaller reporting company <input type="radio"/>
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(Do not check if a smaller reporting company)

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

The number of shares of the registrant's common stock, without par value, outstanding on June 26, 2009 was 17,094,234 shares.

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Forward-Looking Statements

From time to time, The Greenbrier Companies, Inc. and its subsidiaries (Greenbrier or the Company) or their representatives have made or may make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, 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. These forward-looking statements rely on a number of assumptions concerning future events and include statements relating to:

- availability of financing sources and borrowing base for working capital, other business development activities, capital spending and railcar warehousing activities;

- ability to renew or obtain sufficient lines of credit and performance guarantees on acceptable terms;

- ability to utilize beneficial tax strategies;

- ability to grow our refurbishment & parts and lease fleet and management services businesses;

- ability to obtain sales contracts which contain provisions for the escalation of prices due to increased costs of materials and components;

- ability to obtain adequate certification and licensing of products; and

- short- and long-term revenue and earnings effects of the above items.

Forward-looking statements are subject to a number of uncertainties and other factors outside Greenbrier's control. The following are among the factors that could cause actual results or outcomes to differ materially from the forward-looking statements:

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

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

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

- changes in future maintenance or warranty requirements;

- fluctuations in demand for newly manufactured railcars or failure to obtain orders as anticipated in developing forecasts;

- effects of local statutory accounting;

- domestic and global business conditions and growth or reduction in the surface transportation industry;

- ability to maintain good relationships with third party labor providers or collective bargaining units;

- steel price fluctuations, scrap surcharges, steel scrap prices and other commodity price fluctuations and their impact on railcar and wheel demand and margin;

- ability to deliver railcars in accordance with customer specifications;

changes in product mix and the mix among reporting segments;

labor disputes, energy shortages or operating difficulties that might disrupt manufacturing 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 obtain suitable contracts for railcars held for sale;

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

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

resolution or outcome of pending or future litigation and investigations;

the ability to consummate expected sales;

delays in receipt of orders, risks that contracts may be canceled during their term or not renewed and that customers may not purchase as much equipment under the contracts as anticipated;

financial condition of principal customers;

market acceptance of products;

ability to determine and obtain adequate levels of insurance and at acceptable rates;

disputes arising from creation, use, licensing or ownership of intellectual property in the conduct of the Company's business;

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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;

resolution of GE contract dispute;

industry overcapacity and our manufacturing capacity utilization;

changes in industry demand for railcar products;

domestic and global political, regulatory or economic conditions including such matters as terrorism, war, embargoes or quotas;

ability to adjust to the cyclical nature of the railcar industry;

the effects of car hire depreservation on leasing revenue;

changes in interest rates and financial impacts from interest rates;

actions by various regulatory agencies;

changes in fuel and/or energy prices;

risks associated with intellectual property rights of Greenbrier or 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;

ability to maintain sufficient availability of credit facilities and to maintain compliance with or to obtain appropriate amendments to financial covenants with various credit agreements;

discovery of unknown liabilities associated with acquired businesses;

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

ability to replace maturing lease revenue and earnings with revenue and earnings from additions to the lease fleet and management services; 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. Greenbrier assumes no obligation to update or revise any forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements or if Greenbrier later becomes aware that these assumptions are not likely to be achieved, except as required under securities laws.

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

	May 31, 2009	August 31, 2008
Assets		
Cash and cash equivalents	\$ 17,024	\$ 5,957
Restricted cash	447	1,231
Accounts receivable	112,276	181,857
Inventories	174,561	252,048
Assets held for sale	39,926	52,363
Equipment on operating leases	325,610	319,321
Investment in direct finance leases	8,100	8,468
Property, plant and equipment	127,332	136,506
Goodwill	137,066	200,148
Intangibles and other assets	93,118	99,061
	\$ 1,035,460	\$ 1,256,960
Liabilities and Stockholders' Equity		
Revolving notes	\$ 65,924	\$ 105,808
Accounts payable and accrued liabilities	202,596	274,322
Losses in excess of investment in de-consolidated subsidiary	15,313	15,313
Deferred income taxes	63,903	74,329
Deferred revenue	15,258	22,035
Notes payable	480,518	496,008
Minority interest	8,400	8,618
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Preferred stock without par value; 25,000 shares authorized; none outstanding		
Common stock without par value; 50,000 shares authorized; 17,094 and 16,606 shares outstanding at May 31, 2009 and August 31, 2008	17	17
Additional paid-in capital	85,171	82,262
Retained earnings	116,807	179,553
Accumulated other comprehensive loss	(18,447)	(1,305)
	183,548	260,527
	\$ 1,035,460	\$ 1,256,960

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,	
	2009	2008	2009	2008
Revenue				
Manufacturing	\$ 105,986	\$ 201,825	\$ 354,278	\$ 484,413
Refurbishment & Parts	120,190	152,367	374,150	368,833
Leasing & Services	18,272	27,914	59,281	74,812
	244,448	382,106	787,709	928,058
Cost of revenue				
Manufacturing	100,847	200,813	359,772	469,602
Refurbishment & Parts	104,859	120,442	331,613	302,790
Leasing & Services	12,049	12,218	35,525	36,422
	217,755	333,473	726,910	808,814
Margin	26,693	48,633	60,799	119,244
Other costs				
Selling and administrative	15,886	23,407	48,131	64,591
Interest and foreign exchange	10,749	9,990	29,787	30,263
Special charges	55,667		55,667	2,302
	82,302	33,397	133,585	97,156
Earnings (loss) before income taxes, minority interest and equity in unconsolidated subsidiaries	(55,609)	15,236	(72,786)	22,088
Income tax benefit (expense)	4,841	(7,573)	10,708	(12,432)
Earnings (loss) before minority interest and equity in unconsolidated subsidiaries	(50,768)	7,663	(62,078)	9,656
Minority interest	687	272	1,606	2,014
Equity in earnings (loss) of unconsolidated subsidiaries	(457)	191	(274)	522
Net earnings (loss)	\$ (50,538)	\$ 8,126	\$ (60,746)	\$ 12,192
Basic earnings (loss) per common share	\$ (3.00)	\$ 0.49	\$ (3.61)	\$ 0.75
Diluted earnings (loss) per common share	\$ (3.00)	\$ 0.49	\$ (3.61)	\$ 0.75

Weighted average common shares:

Basic	16,840	16,507	16,840	16,323
Diluted	16,840	16,529	16,840	16,347

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,	
	2009	2008
Cash flows from operating activities		
Net earnings (loss)	\$ (60,746)	\$ 12,192
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Deferred income taxes	(10,426)	9,182
Depreciation and amortization	28,259	25,333
Loss (gain) on sales of equipment	63	(6,998)
Special charges	55,667	2,302
Minority interest	(1,618)	(1,957)
Other	952	(103)
Decrease (increase) in assets (net of acquisitions):		
Accounts receivable	58,068	(7,338)
Inventories	63,098	(15,136)
Assets held for sale	13,592	(16,313)
Other	218	(1,476)
Increase (decrease) in liabilities (net of acquisitions):		
Accounts payable and accrued liabilities	(52,991)	21,211
Deferred revenue	(4,895)	(939)
Net cash provided by operating activities	89,241	19,960
Cash flows from investing activities		
Principal payments received under direct finance leases	319	274
Proceeds from sales of equipment	4,488	13,375
Investment in and net advances to unconsolidated subsidiary		519
Acquisitions, net of cash acquired		(91,285)
De-consolidation of subsidiary		(1,217)
Decrease in restricted cash	431	1,690
Capital expenditures	(33,505)	(64,477)
Net cash used in investing activities	(28,267)	(141,121)
Cash flows from financing activities		
Changes in revolving notes	(28,184)	48,878
Proceeds from issuance of notes payable		49,613
Repayments of notes payable	(15,348)	(5,569)
Dividends	(2,001)	(3,933)
Stock options and restricted stock awards exercised	3,673	2,921
Excess tax benefit (expense) of stock options exercised	(764)	9
Investment by joint venture partner	1,400	6,000
Net cash provided by (used in) financing activities	(41,224)	97,919

Effect of exchange rate changes	(8,683)	2,434
Increase (decrease) in cash and cash equivalents	11,067	(20,808)
Cash and cash equivalents		
Beginning of period	5,957	20,808
End of period	\$ 17,024	\$
Cash paid during the period for		
Interest	\$ 30,592	\$ 30,593
Income taxes	\$ 1,899	\$ 3,909
Supplemental disclosure of non-cash activity:		
Seller receivable netted against acquisition note	\$	\$ 503
De-consolidation of subsidiary (see note 4)	\$	\$ 15,313
Adjustment to tax reserve	\$ 7,415	\$
Supplemental disclosure of acquisitions (see note 2)		
Assets acquired, net of cash	\$	\$ (96,480)
Liabilities assumed		5,195
Acquisitions, net of cash acquired	\$	\$ (91,285)

The accompanying notes are an integral part of these statements.

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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, 2009 and for the three and nine months ended May 31, 2009 and 2008 have been prepared without audit and reflect all adjustments (consisting of normal recurring accruals except for special charges) which, in the opinion of management, are necessary for a fair presentation of the financial position and operating results for the periods indicated. The results of operations for the three and nine months ended May 31, 2009 are not necessarily indicative of the results to be expected for the entire year ending August 31, 2009.

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 2008 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.

Initial Adoption of Accounting Policies In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* which permits entities to choose to measure many financial assets and financial liabilities at fair value rather than historical value. Unrealized gains and losses on items for which the fair value option is elected are reported in earnings. This statement was effective for the Company beginning September 1, 2008 and the Company has not elected the fair value option for any additional financial assets and liabilities beyond those already prescribed by generally accepted accounting principles.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* an amendment of SFAS No. 133. This statement changes the presentation of the disclosure of the Company's derivative and hedging activity and was effective for the Company beginning September 1, 2008.

Prospective Accounting Changes - In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. This statement defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements. The measurement and disclosure requirements are effective for the Company for the fiscal year beginning September 1, 2008. The adoption did not have an effect on the Company. In January 2008, the FASB issued FASB Staff Position (FSP) FAS 157-2 to defer SFAS No. 157's effective date for all non-financial assets and liabilities, except those items recognized or disclosed at fair value on an annual or more frequently recurring basis. In October 2008, the FASB issued FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active*. This FSP provides examples to illustrate key considerations in determining fair value of a financial asset when the market for that financial asset is not active. This position is effective for the Company beginning September 1, 2009. Management is evaluating whether there will be any impact on the Consolidated Financial Statements from the adoption of FSP 157-2 and 157-3.

In December 2007, the FASB issued SFAS No. 141R, *Business Combinations*. This statement establishes the principles and requirements for how an acquirer: recognizes and measures the assets acquired, liabilities assumed, and non-controlling interest; recognizes and measures goodwill; and identifies disclosures. This statement is effective for the Company for business combinations entered into on or after September 1, 2009.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* an amendment of ARB No. 51. This statement establishes reporting standards for non-controlling interests in

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subsidiaries. This standard is effective for the Company beginning September 1, 2009. Management is evaluating the impact of this statement on its Consolidated Financial Statements.

In May 2008, the FASB issued FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*. This FSP specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. This FSP is effective for the Company beginning September 1, 2009 with respect to its \$100.0 million of outstanding convertible debt. This FSP cannot be early adopted and requires retrospective adjustments for all periods the Company had the convertible debt outstanding. On September 1, 2009 the Company expects to record, on its Consolidated Balance Sheet, a debt discount of \$17.0 million, a deferred tax liability of \$6.7 million and a \$10.3 million increase to equity. The debt discount is expected to be amortized using the effective interest rate method through May 2013 and the amortization expense will be included in Interest and foreign exchange on the Consolidated Statements of Operations. The pre-tax amortization is expected to be approximately \$4.1 million in fiscal year 2010, \$4.5 million in fiscal year 2011, \$4.8 million in fiscal year 2012 and \$3.6 million in fiscal year 2013.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events*. This statement establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This statement is effective for the Company beginning with the quarter ending August 31, 2009.

Note 2 Acquisitions**Roller Bearing Industries**

On April 4, 2008 the Company purchased substantially all of the operating assets of Roller Bearing Industries, Inc. (RBI) for \$7.8 million in cash. The purchase price was paid from existing cash balances and credit facilities. RBI operates a railcar bearings reconditioning business in Elizabethtown, Kentucky. These bearings are used in the reconditioning of railcar wheelsets. The financial results of this operation since the acquisition are reported in the Company's Consolidated Financial Statements as part of the Refurbishment & Parts segment. The impact of this acquisition was not material to the Company's consolidated results of operations; therefore, pro forma financial information has not been included.

The fair value of the net assets acquired from RBI was as follows:

(In thousands)

Accounts receivable	\$ 479
Inventories	2,963
Property, plant and equipment	1,644
Intangibles and other	1,178
Goodwill	1,742
Total assets acquired	8,006
Accounts payable and accrued liabilities	165
Total liabilities assumed	165
Net assets acquired	\$ 7,841

American Allied Railway Equipment Company

On March 28, 2008 the Company purchased substantially all of the operating assets of American Allied Railway Equipment Company and its affiliates (AARE) for \$83.3 million in cash. The purchase price was paid from existing

cash balances and credit facilities. AARE's two wheel facilities in Washington, Illinois and Macon, Georgia, supply new and reconditioned wheelsets to freight car maintenance locations as well as new railcar manufacturing facilities. AARE also operates a parts reconditioning business in Peoria, Illinois, where it reconditions railcar yokes, couplers, side frames and bolsters. The financial results since the acquisition are reported in the Company's Consolidated Financial Statements as part of the Refurbishment & Parts segment.

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On January 31, 2009, the wheel facility in Washington, Illinois was extensively damaged by fire. Substantially all the work scheduled to be completed at this facility has been shifted to other wheel facilities in the Refurbishment & Parts network, with no significant disruptions in service to the Company's customers. The Company believes it is adequately covered by insurance for this loss.

The fair value of the net assets acquired from AARE was as follows:

(In thousands)

Accounts receivable	\$ 10,228
Inventories	12,966
Property, plant and equipment	8,377
Intangibles and other	27,800
Goodwill	29,405
 Total assets acquired	 88,776
 Accounts payable and accrued liabilities	 5,451
 Total liabilities assumed	 5,451
 Net assets acquired	 \$ 83,325

The unaudited pro forma financial information presented below for the three and nine months ended May 31, 2008 has been prepared to illustrate Greenbrier's consolidated results had the acquisition of AARE occurred at the beginning of each period presented. The financial information for the three and nine months ended May 31, 2009 is included for comparison purposes only.

(In thousands except per share amounts)

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2009	2008	2009	2008
Revenue	\$ 244,448	\$ 390,025	\$ 787,709	\$ 979,818
Net earnings (loss)	\$ (50,538)	\$ 9,069	\$ (60,746)	\$ 13,955
Basic earnings (loss) per share	\$ (3.00)	\$ 0.55	\$ (3.61)	\$ 0.85
Diluted earnings (loss) per share	\$ (3.00)	\$ 0.55	\$ (3.61)	\$ 0.85

The unaudited pro forma financial information is not necessarily indicative of what the actual results would have been had the transaction occurred at the beginning of the fiscal year, and may not be indicative of the results of future operations of the Company.

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

In April 2007, the Company's board of directors approved the permanent closure of the Company's Canadian railcar manufacturing facility, TrentonWorks Limited (TrentonWorks). As a result of the facility closure decision, special charges of \$2.3 million were recorded during the nine months ended May 31, 2008 consisting of severance costs and professional and other fees associated with the closure.

Note 4 De-consolidation of Subsidiary

On March 13, 2008 TrentonWorks filed for bankruptcy with the Office of the Superintendent of Bankruptcy Canada whereby the assets of TrentonWorks are being administered and liquidated by an appointed trustee. The Company has not guaranteed any obligations of TrentonWorks and does not believe it will be liable for any of TrentonWorks liabilities. Under generally accepted accounting principles, consolidation is generally required for investments of more than 50% ownership, except when control is not held by the majority owner. Under these principles, bankruptcy represents a condition which may preclude consolidation in instances where control rests with the bankruptcy court and trustee, rather than the majority owner. As a result, the Company discontinued consolidating TrentonWorks financial statements beginning on March 13, 2008 and began reporting its investment in TrentonWorks using the cost method. Under the cost method, the investment is reflected as a single amount on the Company's Consolidated Balance Sheet. De-consolidation resulted in a negative investment in the subsidiary of \$15.3 million which is included as a liability on the Company's Consolidated Balance Sheet titled Losses in excess of investment in de-consolidated subsidiary. In addition, a \$3.4 million loss is included in Accumulated other comprehensive loss. The Company may recognize up to \$11.9 million of income with the reversal of the \$15.3 million liability, net of the \$3.4 million other comprehensive loss, when the bankruptcy is resolved and the Company is legally released from any future obligations.

Note 5 Inventories

(In thousands)

	May 31, 2009	August 31, 2008
Supplies and raw materials	\$ 111,112	\$ 150,505
Work-in-process	68,066	106,542
Lower of cost or market adjustment	(4,617)	(4,999)
	\$ 174,561	\$ 252,048

Note 6 Assets Held for Sale

(In thousands)

	May 31, 2009	August 31, 2008
Finished goods parts	\$ 18,202	\$ 22,017
Railcars held for sale	19,156	23,559
Railcars in transit to customer	2,568	6,787
	\$ 39,926	\$ 52,363

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The Company periodically acquires businesses in purchase transactions in which the allocation of the purchase price may result in the recognition of goodwill. Goodwill is evaluated annually for impairment unless a qualifying event triggers interim testing.

Changes in the carrying value of goodwill for the nine months ended May 31, 2009 are as follows:

(In thousands)

	Manufacturing	Refurbishment & Parts	Leasing & Services	Total
Balance August 31, 2008	\$ 1,287	\$ 195,790	\$ 3,071	\$ 200,148
Goodwill impairment	(1,287)	(51,309)	(3,071)	(55,667)
Reserve reversal		(7,415)		(7,415)
Balance May 31, 2009	\$	\$ 137,066	\$	\$ 137,066

The Company tests goodwill annually during the third quarter using a testing date of February 28th. In accordance with the provision of SFAS 142, *Goodwill and Other Intangible Assets*, the Company performed Step One of the SFAS 142 analysis as of February 28, 2009. This analysis included an equity test whereby the fair value of each reporting unit's total equity is compared to the carrying value of equity and an asset test whereby the fair value of each reporting unit's total assets was estimated and compared to the carrying value of assets. Greenbrier's reporting units for this test are the same as its segments. The fair value of the Company's reporting units was determined based on a weighting of income and market approaches. Under the income approach, the fair value of a reporting unit is based on the present value of estimated future cash flows. Under the market approach, the fair value is based on observed market multiples for comparable businesses and guideline transactions. The Company also considered the premium of the implied value of its reporting units over the current market value of its stock. Results of the Step One analysis indicated that the carrying amounts of all reporting units were in excess of their fair value indicating that an impairment was probable. Accordingly, the Company was required to perform Step Two of the SFAS 142 impairment analysis to determine the amount, if any, of goodwill impairment to be recorded.

Under Step Two of the SFAS 142 analysis, the implied fair value of goodwill requires valuation of a reporting unit's tangible and intangible assets and liabilities in a manner similar to the allocation of purchase price in a business combination. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, goodwill is deemed impaired and is written down to the extent of the difference. The Step Two analysis was completed during the third quarter and the Company concluded that a portion of its goodwill was impaired. As a result, a pre-tax non-cash impairment charge of \$55.7 million was recorded which consists of \$1.3 million in the Manufacturing segment, \$3.1 million in the Leasing & Services segment and \$51.3 million in the Refurbishment & Parts segment. After goodwill impairment charges, a balance of \$137.1 million remained in goodwill related to the Refurbishment & Parts segment.

In addition, during the first quarter of 2009 there was a reduction in goodwill and a corresponding reduction in a tax liability of \$7.4 million relating to a release of a tax reserve that was initially recorded as goodwill on the acquisition of Meridian Rail Holdings Corp. The contingency requiring this reserve lapsed in the first quarter of 2009.

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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:

(In thousands)

	May 31, 2009	August 31, 2008
Intangible assets subject to amortization:		
Customer relationships	\$ 66,825	\$ 66,825
Accumulated amortization	(8,510)	(5,395)
Other intangibles	4,747	5,713
Accumulated amortization	(1,855)	(1,737)
	61,207	65,406
Intangible assets not subject to amortization	912	912
Prepaid and other assets	30,999	32,743
Total intangible and other assets	\$ 93,118	\$ 99,061

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, 2009 was \$1.2 million and \$3.6 million and for the three and nine months ended May 31, 2008 was \$0.9 million and \$2.4 million.

Note 9 Revolving Notes

All amounts originating in foreign currency have been translated at the May 31, 2009 exchange rate for the following discussion. As of May 31, 2009 senior secured revolving credit facilities, consisting of two components, aggregated \$312.8 million. As of May 31, 2009 a \$290.0 million revolving line of credit 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. In addition, as of May 31, 2009, lines of credit totaling \$22.8 million, with various variable rates, were available for working capital needs of the European manufacturing operation. Currently these European credit facilities have maturities that range from August 2009 through June 2010. European credit facility renewals are continually under negotiation and the Company expects the available credit facilities to be approximately \$23.0 million through August 31, 2009.

As of May 31, 2009 outstanding borrowings under our facilities aggregated \$65.9 million in revolving notes and \$4.0 million in letters of credit. This consists of \$44.9 million in revolving notes and \$4.0 million in letters of credit outstanding under the North American credit facility and \$21.0 million in revolving notes outstanding under the European credit facilities.

On June 10, 2009, the Company entered into an amendment to its North American revolving credit facility. The amendment reduced the aggregate commitments under the facility from \$290.0 million to \$100.0 million, increased applicable margins on base rate loans to prime, as defined, plus 3.5% and LIBOR loans to LIBOR plus 4.5%, placed certain limitations on permitted acquisitions and amended certain financial ratio covenants effective as of May 31, 2009, including the exclusion of the effects of non cash goodwill impairment charges. The maturity of the facility remains unchanged at November 2011.

On June 10, 2009 the outstanding balance on the North American credit facility was paid down in full with a portion of the proceeds from a \$75.0 million secured term loan. Available borrowing for the credit facility are generally based on defined levels of inventory, receivables, property, plant and equipment and leased equipment, as

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well as total debt to consolidated capitalization and interest coverage ratios which as of June 10, 2009 would provide for maximum additional borrowing of \$111.6 million. The Company has \$96.0 million available to draw down under the committed credit facility as of June 10, 2009.

Note 10 Accounts Payable and Accrued Liabilities

(In thousands)

	May 31, 2009	August 31, 2008
Trade payables and other accruals	\$ 155,037	\$ 207,173
Accrued payroll and related liabilities	18,358	25,478
Accrued maintenance	16,312	17,067
Accrued warranty	9,899	11,873
Other	2,990	12,731
	\$ 202,596	\$ 274,322

Note 11 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 accrual, included in accounts payable and accrued liabilities on the Consolidated Balance Sheet, are reviewed periodically and updated based on warranty trends.

Warranty accrual activity:

(In thousands)

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2009	2008	2009	2008
Balance at beginning of period	\$ 10,146	\$ 15,867	\$ 11,873	\$ 15,911
Charged to cost of revenue	456	983	1,132	2,295
Payments	(892)	(1,097)	(2,502)	(3,334)
Currency translation effect	189	229	(604)	1,110
De-consolidation effect		(2,147)		(2,147)
Balance at end of period	\$ 9,899	\$ 13,835	\$ 9,899	\$ 13,835

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

(In thousands)

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2009	2008	2009	2008
Net earnings (loss)	\$ (50,538)	\$ 8,126	\$ (60,746)	\$ 12,192
Reclassification of derivative financial instruments recognized in net earnings (loss) (net of tax)	(233)	(34)	(467)	(82)
Unrealized gain (loss) on derivative financial instruments (net of tax)	4,061	595	(8,971)	1,089
Pension plan adjustment <i>(1)</i>		40		(6,873)
Foreign currency translation adjustment (net of tax)	2,187	1,860	(7,704)	5,632
Comprehensive income (loss)	\$ (44,523)	\$ 10,587	\$ (77,888)	\$ 11,958

(1) The prior year pension plan adjustment related to retroactive legislation enacted by the Province of Nova Scotia, Canada requiring TrentonWorks to contribute deficit funding and grow-in benefits to the pension plan for employees covered by a collective bargaining agreement at TrentonWorks. The Company has not guaranteed any obligations of TrentonWorks and does not

believe it will be
liable for any of
TrentonWorks
liabilities.

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

	Unrealized Gains (Losses) on Derivative Financial Instruments	Pension Plan Adjustment	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Income (Loss)
Balance, August 31, 2008	\$ 571	\$ (7,118)	\$ 5,242	\$ (1,305)
Nine month activity	(9,438)		(7,704)	(17,142)
Balance, May 31, 2009	\$ (8,867)	\$ (7,118)	\$ (2,462)	\$ (18,447)

Note 13 Earnings Per Share

The shares used in the computation of the Company's basic and diluted earnings per common share are reconciled as follows:

(In thousands)

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2009	2008	2009	2008
Weighted average basic common shares outstanding	16,840	16,507	16,840	16,323
Dilutive effect of employee stock options (1)		22		24
Weighted average diluted common shares outstanding	16,840	16,529	16,840	16,347

(1) Dilutive effect
of common
stock
equivalents
excluded from
per share
calculation for
the three and
nine months
ended May 31,
2009 due to net
loss

Weighted average diluted common shares outstanding include the incremental shares that would be issued upon the assumed exercise of stock options. No options were anti-dilutive for the three and nine months ended May 31, 2008.

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All stock options were vested prior to September 1, 2005 and accordingly no compensation expense was recorded for stock options for the three and nine months ended May 31, 2009 and 2008. The value of stock awarded under restricted stock grants is amortized as compensation expense over the vesting period which is generally two to five years. For the three and nine months ended May 31, 2009, \$1.3 million and \$3.7 million in compensation expense was recognized related to restricted stock grants. For the three and nine months ended May 31, 2008, \$1.2 million and \$2.8 million in compensation expense was recognized related to restricted stock grants.

Note 15 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 unrealized gains and losses are recorded in accumulated other comprehensive loss.

At May 31, 2009 exchange rates, forward exchange contracts for the sale of Euro aggregated \$33.0 million and for the sale of Pound Sterling aggregated \$2.1 million. Adjusting the foreign currency exchange contracts to the fair value of the cash flow hedges at May 31, 2009 resulted in an unrealized pre-tax loss of \$6.7 million that was recorded in accumulated other comprehensive loss. The fair value of the contracts is included in accounts payable and accrued liabilities on the Consolidated Balance Sheets. As the contracts mature at various dates through November 2010, 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. Certain forward exchange contracts for the sale of Euro did not qualify for hedge accounting which resulted in fair value adjustments of \$1.2 million pre-tax expense in the first quarter and \$1.4 million pre-tax expense in the second quarter, for a total of \$2.6 million pre-tax expense that was included in interest and foreign exchange on the Consolidated Statements of Operations. As of the end of January 2009 these contracts qualified for hedge accounting treatment through their maturity.

At May 31, 2009, an interest rate swap agreement had a notional amount of \$47.3 million and matures March 2014. The fair value of this cash flow hedge at May 31, 2009 resulted in an unrealized pre-tax loss of \$3.6 million. The loss is included in accumulated other comprehensive loss and the fair value of the contracts 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 is reclassified from accumulated other comprehensive loss and charged or credited to interest expense. At May 31, 2009 interest rates, approximately \$1.2 million would be reclassified to interest expense in the next 12 months.

(In thousands)

	Loss recognized in other comprehensive loss (OCI)	Location of loss reclassified from accumulated OCI into expense	Amount of loss reclassified from accumulated OCI into expense Nine Months Ended May 31, 2009
Cash Flow Hedges			
	May 31, 2009		
Foreign forward exchange contracts	\$ (6,692)	Revenue	\$ (1,442)

Interest rate swap contract	(2,175)	Interest and foreign exchange	
	\$ (8,867)		\$ (1,442)

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Derivatives not designated as hedging instrument		Location of loss recognized	Amount of loss recognized Nine Months Ended
	May 31, 2009		May 31, 2009
Foreign forward exchange contracts	\$	Interest and foreign exchange	\$ (2,554)

Note 16 Segment Information

Greenbrier operates in three reportable segments: Manufacturing, Refurbishment & Parts and Leasing & Services. The accounting policies of the segments are described in the summary of significant accounting policies in the Consolidated Financial Statements contained in the Company's 2008 Annual Report on Form 10-K. Performance is evaluated based on margin. Intersegment sales and transfers are generally accounted for at fair value as if the sales or transfers were to third parties. While intercompany transactions are treated like third-party transactions to evaluate segment performance, the revenues and related expenses are eliminated in consolidation and therefore do not impact consolidated results.

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

(In thousands)

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2009	2008	2009	2008
Revenue:				
Manufacturing	\$ 124,285	\$ 185,783	\$ 366,618	\$ 533,634
Refurbishment & Parts	121,607	154,390	378,209	373,473
Leasing & Services	18,487	28,119	59,724	75,184
Intersegment eliminations	(19,931)	13,814	(16,842)	(54,233)
	\$ 244,448	\$ 382,106	\$ 787,709	\$ 928,058
Margin:				
Manufacturing	\$ 5,139	\$ 1,012	\$ (5,494)	\$ 14,811
Refurbishment & Parts	15,331	31,925	42,537	66,043
Leasing & Services	6,223	15,696	23,756	38,390
Segment margin total	26,693	48,633	60,799	119,244
Less: unallocated expenses:				
Selling and administrative	15,886	23,407	48,131	64,591
Interest and foreign exchange	10,749	9,990	29,787	30,263
Special charges	55,667		55,667	2,302
Earnings (loss) before income tax expense, minority interest and equity in unconsolidated subsidiary	\$ (55,609)	\$ 15,236	\$ (72,786)	\$ 22,088

Note 17 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 80 other parties have received a General Notice of potential liability from the EPA

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THE GREENBRIER COMPANIES, INC.

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. The study is expected to be completed in 2011. In February 2008, the EPA sought information from over 200 additional entities, including other federal agencies in order to determine whether additional General Notice letters were warranted. Seventy-one parties have entered into a non-judicial mediation process to try to allocate costs associated with the Portland Harbor site. Ninety-three additional parties have signed tolling agreements related to such allocations. On April 23, 2009, the Company and the other AOC signatories filed suit against 39 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. In addition, the Company has entered into a Voluntary Clean-Up Agreement with the Oregon Department of Environmental Quality in which the Company agreed to conduct an investigation of whether, and to what extent, past or present operations at the Portland property may have released hazardous substances to the environment. The Company is also conducting groundwater remediation relating to a historical spill on the property which antedates its ownership.

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

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

On April 20, 2004, BC Rail Partnership initiated litigation against the Company and TrentonWorks in the Supreme Court of Nova Scotia, alleging breach of contract and negligent manufacture and design of railcars which were involved in a 1999 derailment. No trial date has been set.

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

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

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As part of an order to deliver 500 railcar units, the Company has an obligation to guarantee the purchaser minimum earnings. The obligation runs from date of the railcar delivery through December 31, 2011. The maximum potential obligation totals \$13.2 million and in certain defined instances the obligation may be reduced due to early termination. The purchaser has agreed to utilize the railcars on a preferential basis, and the Company is entitled to re-market the railcar units when they are not being utilized by the purchaser during the obligation period. Any earnings generated from the railcar units will offset the obligation and be recognized as revenue and margin in future periods. The Company believes its actual obligation will be less than the \$13.2 million. Through May 31, 2009, the Company delivered 444 railcar units under this contract. The balance of the deliveries is currently expected to occur by the end of this fiscal year. Upon delivery of the railcar units, the entire purchase price is recorded as revenue and due in full. The minimum earnings due to the purchaser are considered a reduction of revenue and are recorded as deferred revenue. As of May 31, 2009, the Company has recorded \$12.0 million of the potential obligation as deferred revenue and \$1.2 million was included in the calculation of the loss contingency for production in backlog.

The Company has entered into contingent rental assistance agreements, aggregating \$6.6 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 three years. A liability is established and revenue is reduced in the period during which a determination can be made that it is probable that a rental shortfall will occur and the amount can be estimated. For the three and nine months ended May 31, 2009 no accrual was made to cover estimated obligations as management determined no additional rental shortfall was probable. No accrual was made for the three months ended May 31, 2008 and \$1.0 million was recorded for the nine months ended May 31, 2008. There was no remaining balance of the accrued liability as of May 31, 2009. All of these agreements were entered into prior to December 31, 2002 and have not been modified since. The accounting for any future rental assistance agreements will comply with the guidance required by FASB Interpretation (FIN) 45 which pertains to contracts entered into or modified subsequent to December 31, 2002.

A portion of leasing & services revenue is derived from car hire which is a fee that a railroad pays for the use of railcars owned by other railroads or third parties. Car hire earned by a railcar is usually made up of hourly and mileage components. Railcar owners and users have the right to negotiate car hire rates. If the railcar owner and railcar user cannot come to an agreement on a car hire rate then either party has the right to call for arbitration. In arbitration either the owner's or user's rate is selected and that rate becomes effective for a one-year period. There is some risk that car hire rates could be negotiated or arbitrated to lower levels in the future. This could reduce future car hire revenue for the Company which amounted to \$4.2 million and \$15.1 million for the three and nine months ended May 31, 2009 and \$6.5 million and \$19.7 million for the three and nine months ended May 31, 2008.

In accordance with customary business practices in Europe, the Company has \$12.6 million in bank and third party performance and warranty guarantee facilities, all of which have been utilized as of May 31, 2009. To date no amounts have been drawn under these performance and warranty guarantee facilities.

The Company has outstanding letters of credit aggregating \$4.0 million associated with facility leases and payroll. At May 31, 2009, an unconsolidated subsidiary had \$3.2 million of third party debt, for which the Company has guaranteed one-third or approximately \$1.1 million. In the event that there is a change in control or insolvency by any of the three one-third investors that have guaranteed the debt, the remaining investors' share of the guarantee will increase proportionately.

Note 18 Guarantor/Non-Guarantor

The \$235 million combined senior unsecured notes (the Notes) issued on May 11, 2005 and November 21, 2005 and \$100 million of convertible senior notes issued on May 22, 2006 are fully and unconditionally and jointly and severally guaranteed by substantially all of Greenbrier's material wholly owned United States subsidiaries: Autostack Company LLC, Greenbrier-Concarril, LLC, Greenbrier Leasing Company LLC, Greenbrier Leasing Limited Partner, LLC, Greenbrier Management Services, LLC, Greenbrier Leasing, L.P., Greenbrier Railcar LLC, Gunderson LLC, Gunderson Marine LLC, Gunderson Rail Services LLC, Meridian Rail Holdings Corp., Meridian

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Rail Acquisition Corp., Meridian Rail Mexico City Corp., Brandon Railroad LLC and Gunderson Specialty Products, LLC. No other subsidiaries guarantee the Notes including Greenbrier Europe B.V., Greenbrier Germany GmbH, WagonySwidnica S.A., Gunderson-Concarril, S.A. de C.V., Greenbrier-Gimsa, LLC and Gunderson-Gimsa S de RL de CV.

The following represents the supplemental consolidated condensed financial information of Greenbrier and its guarantor and non-guarantor subsidiaries, as of May 31, 2009 and August 31, 2008 and for the three and nine months ended May 31, 2009 and 2008. 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.

The Greenbrier Companies, Inc.

Condensed Consolidating Balance Sheet

May 31, 2009

(In thousands, unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 8,529	\$	\$ 8,495	\$	\$ 17,024
Restricted cash		447			447
Accounts receivable	99,365	(509)	13,367	53	112,276
Inventories		111,195	63,366		174,561
Assets held for sale		37,539	2,568	(181)	39,926
Equipment on operating leases		327,699		(2,089)	325,610
Investment in direct finance leases		8,100			8,100
Property, plant and equipment	4,863	83,175	39,294		127,332
Goodwill		137,066			137,066
Intangibles and other assets	462,438	108,493	2,687	(480,500)	93,118
	\$ 575,195	\$ 813,205	\$ 129,777	\$ (482,717)	\$ 1,035,460
Liabilities and Stockholders					
Equity					
Revolving notes	\$ 44,900	\$	\$ 21,024	\$	\$ 65,924
Accounts payable and accrued liabilities	11,044	131,658	61,014	(1,120)	202,596
Losses in excess of investment in de-consolidated subsidiary	15,313				15,313
Deferred income taxes	(15,424)	83,010	(2,573)	(1,110)	63,903
Deferred revenue	814	14,033	411		15,258
Notes payable	335,000	145,518			480,518
Minority interest			(432)	8,832	8,400

Stockholders Equity	183,548	438,986	50,333	(489,319)	183,548
	\$ 575,195	\$ 813,205	\$ 129,777	\$ (482,717)	\$ 1,035,460

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

	Parent	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenue					
Manufacturing	\$	\$ 64,660	\$ 81,428	\$ (40,102)	\$ 105,986
Refurbishment & Parts		120,190			120,190
Leasing & Services	298	18,252		(278)	18,272
	298	203,102	81,428	(40,380)	244,448
Cost of revenue					
Manufacturing		60,768	79,375	(39,296)	100,847
Refurbishment & Parts		104,859			104,859
Leasing & Services		12,067		(18)	12,049
		177,694	79,375	(39,314)	217,755
Margin	298	25,408	2,053	(1,066)	26,693
Other costs					
Selling and administrative	8,248	5,736	1,902		15,886
Interest and foreign exchange	6,556	1,439	3,145	(391)	10,749
Special charges		55,531		136	55,667
	14,804	62,706	5,047	(255)	82,302
Earnings (loss) before income taxes, minority interest and equity in earnings (loss) of unconsolidated subsidiaries	(14,506)	(37,298)	(2,994)	(811)	(55,609)
Income tax (expense) benefit	4,571	1,250	(1,557)	577	4,841
	(9,935)	(36,048)	(4,551)	(234)	(50,768)
Minority interest			52	635	687
Equity in earnings (loss) of unconsolidated subsidiaries	(40,603)	(3,276)		43,422	(457)
Net earnings (loss)	\$ (50,538)	\$ (39,324)	\$ (4,499)	\$ 43,823	\$ (50,538)

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

	Parent	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenue					
Manufacturing	\$	\$ 187,966	\$ 260,129	\$ (93,817)	\$ 354,278
Refurbishment & Parts		374,119	31		374,150
Leasing & Services	978	59,222		(919)	59,281
	978	621,307	260,160	(94,736)	787,709
Cost of revenue					
Manufacturing		194,590	257,782	(92,600)	359,772
Refurbishment & Parts		331,580	33		331,613
Leasing & Services		35,576		(51)	35,525
		561,746	257,815	(92,651)	726,910
Margin	978	59,561	2,345	(2,085)	60,799
Other costs					
Selling and administrative	22,757	19,638	5,736		48,131
Interest and foreign exchange	20,401	4,282	6,375	(1,271)	29,787
Special charges		55,531		136	55,667
	43,158	79,451	12,111	(1,135)	133,585
Earnings (loss) before income taxes, minority interest and equity in earnings (loss) of unconsolidated subsidiaries	(42,180)	(19,890)	(9,766)	(950)	(72,786)
Income tax (expense) benefit	18,179	(8,818)	156	1,191	10,708
	(24,001)	(28,708)	(9,610)	241	(62,078)
Minority interest			132	1,474	1,606
Equity in earnings (loss) of unconsolidated subsidiaries	(36,745)	(6,502)		42,973	(274)
Net earnings (loss)	\$ (60,746)	\$ (35,210)	\$ (9,478)	\$ 44,688	\$ (60,746)

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The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Cash Flows

For the nine months ended May 31, 2009

(In thousands, unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net earnings (loss)	\$ (60,746)	\$ (35,210)	\$ (9,478)	\$ 44,688	\$ (60,746)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:					
Deferred income taxes	(21,809)	11,293	632	(542)	(10,426)
Depreciation and amortization	1,085	21,650	5,575	(51)	28,259
Loss (gain) on sales of equipment		64		(1)	63
Special charges		55,531		136	55,667
Minority interest			796	(2,414)	(1,618)
Other		947	5		952
Decrease (increase) in assets					
Accounts receivable	(33)	65,978	(7,827)	(50)	58,068
Inventories		32,361	30,737		63,098
Assets held for sale		8,821	4,590	181	13,592
Other	597	709	3,894	(4,982)	218
Increase (decrease) in liabilities					
Accounts payable and accrued liabilities	18,530	(49,453)	(21,643)	(425)	(52,991)
Deferred revenue	(116)	(1,741)	(3,038)		(4,895)
Net cash provided by (used in) operating activities	(62,492)	110,950	4,243	36,540	89,241
Cash flows from investing activities:					
Principal payments received under direct finance leases		319			319
Proceeds from sales of equipment		4,488			4,488
Investment in and net advances to unconsolidated subsidiaries	30,563	6,229		(36,792)	
Decrease in restricted cash		(447)	878		431
Capital expenditures	(1,946)	(26,666)	(5,145)	252	(33,505)
Net cash provided by (used in) investing activities	28,617	(16,077)	(4,267)	(36,540)	(28,267)
Cash flows from financing activities	(20,100)		(8,084)		(28,184)
Changes in revolving					

notes					
Intercompany advances	65,786	(85,882)	20,096		
Repayments of notes payable	(4,339)	(7,137)	(3,872)		(15,348)
Dividends	(2,001)				(2,001)
Stock options and restricted stock exercised	3,673				3,673
Excess tax benefit of stock options exercised	(764)				(764)
Investment by joint venture partner			1,400		1,400
Net cash provided by (used in) financing activities	42,255	(93,019)	9,540		(41,224)
Effect of exchange rate changes	149	(3,447)	(5,385)		(8,683)
Increase (decrease) in cash and cash equivalents	8,529	(1,593)	4,131		11,067
Cash and cash equivalents Beginning of period		1,593	4,364		5,957
End of period	\$ 8,529	\$	\$ 8,495	\$	\$ 17,024

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

The Greenbrier Companies, Inc.
Condensed Consolidating Balance Sheet
August 31, 2008
(In thousands)

	Parent	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$	\$ 1,593	\$ 4,364	\$	\$ 5,957
Restricted cash			1,231		1,231
Accounts receivable	165,118	(22,604)	39,341	2	181,857
Inventories		143,557	108,491		252,048
Assets held for sale		45,205	7,158		52,363
Equipment on operating leases		8,468			8,468
Investment in direct finance leases		321,210		(1,889)	319,321
Property, plant and equipment	4,002	89,157	43,347		136,506
Goodwill		200,012		136	200,148
Intangibles and other assets	510,889	118,952	3,803	(534,583)	99,061
	\$ 680,009	\$ 905,550	\$ 207,735	\$ (536,334)	\$ 1,256,960
Liabilities and Stockholders					
Equity					
Revolving notes	\$ 65,000	\$	\$ 40,808	\$	\$ 105,808
Accounts payable and accrued liabilities	(7,486)	187,440	95,064	(696)	274,322
Losses in excess of investment in de-consolidated subsidiary	15,313				15,313
Deferred income taxes	6,385	71,717	(3,206)	(567)	74,329
Deferred revenue	931	16,094	5,010		22,035
Notes payable	339,339	152,654	4,015		496,008
Minority interest			(27)	8,645	8,618
Stockholders Equity	260,527	477,645	66,071	(543,716)	260,527
	\$ 680,009	\$ 905,550	\$ 207,735	\$ (536,334)	\$ 1,256,960

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The Greenbrier Companies, Inc.
Condensed Consolidating Statement of Operations
For the three months ended May 31, 2008
(In thousands, unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenue					
Manufacturing	\$ 971	\$ 105,040	\$ 141,996	\$ (46,182)	\$ 201,825
Refurbishment & Parts		152,352	15		152,367
Leasing & Services	290	27,757		(133)	27,914
	1,261	285,149	142,011	(46,315)	382,106
Cost of revenue					
Manufacturing		104,539	142,226	(45,952)	200,813
Refurbishment & Parts		120,420	22		120,442
Leasing & Services		12,233		(15)	12,218
		237,192	142,248	(45,967)	333,473
Margin	1,261	47,957	(237)	(348)	48,633
Other costs					
Selling and administrative	10,463	9,047	3,897		23,407
Interest and foreign exchange	7,582	1,170	1,371	(133)	9,990
	18,045	10,217	5,268	(133)	33,397
Earnings (loss) before income taxes, minority interest and equity in earnings (loss) of unconsolidated subsidiaries	(16,784)	37,740	(5,505)	(215)	15,236
Income tax (expense) benefit	6,613	(14,767)	137	444	(7,573)
	(10,171)	22,973	(5,368)	229	7,663
Minority interest			3	269	272
Equity in earnings (loss) of unconsolidated subsidiaries	18,297	(1,153)		(16,953)	191
Net earnings (loss)	\$ 8,126	\$ 21,820	\$ (5,365)	\$ (16,455)	\$ 8,126

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The Greenbrier Companies, Inc.
Condensed Consolidating Statement of Operations
For the nine months ended May 31, 2008
(In thousands, unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenue					
Manufacturing	\$ 971	\$ 285,515	\$ 394,543	\$ (196,616)	\$ 484,413
Refurbishment & Parts		368,795	38		368,833
Leasing & Services	951	74,221		(360)	74,812
	1,922	728,531	394,581	(196,976)	928,058
Cost of revenue					
Manufacturing		278,637	387,392	(196,427)	469,602
Refurbishment & Parts		302,748	42		302,790
Leasing & Services		36,468		(46)	36,422
		617,853	387,434	(196,473)	808,814
Margin	1,922	110,678	7,147	(503)	119,244
Other costs					
Selling and administrative	25,099	26,130	13,363	(1)	64,591
Interest and foreign exchange	21,024	4,449	5,152	(362)	30,263
Special charges			2,302		2,302
	46,123	30,579	20,817	(363)	97,156
Earnings (loss) before income taxes, minority interest and equity in earnings (loss) of unconsolidated subsidiaries	(44,201)	80,099	(13,670)	(140)	22,088
Income tax (expense) benefit	21,068	(31,739)	(2,179)	418	(12,432)
	(23,133)	48,360	(15,849)	278	9,656
Minority interest			10	2,004	2,014
Equity in earnings (loss) of unconsolidated subsidiaries	35,325	594		(35,397)	522
Net earnings (loss)	\$ 12,192	\$ 48,954	\$ (15,839)	\$ (33,115)	\$ 12,192

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The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Cash Flows

For the nine months ended May 31, 2008

(In thousands, unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net earnings (loss)	\$ 12,192	\$ 48,954	\$ (15,839)	\$ (33,115)	\$ 12,192
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:					
Deferred income taxes	1,843	7,972	(524)	(109)	9,182
Depreciation and amortization	427	19,874	5,078	(46)	25,333
Gain on sales of equipment		(6,996)		(2)	(6,998)
Special charges			2,302		2,302
Minority interest			(10)	(1,947)	(1,957)
Other	(136)	32	4	(3)	(103)
Decrease (increase) in assets					
Accounts receivable		(13,326)	6,137	(149)	(7,338)
Inventories		(11,265)	(3,871)		(15,136)
Assets held for sale		(12,735)	(3,650)	72	(16,313)
Other	151	(1,018)	17,251	(17,860)	(1,476)
Increase (decrease) in liabilities					
Accounts payable and accrued liabilities	1,646	23,611	(3,926)	(120)	21,211
Deferred revenue	(116)	4,636	(5,459)		(939)
Reclassifications (1)	(107)		107		
Net cash provided by (used in) operating activities	15,900	59,739	(2,400)	(53,279)	19,960
Cash flows from investing activities:					
Principal payments received under direct finance leases		274			274
Proceeds from sales of equipment		13,375			13,375
Investment in and net advances to unconsolidated subsidiaries	(53,195)	447		53,267	519
Intercompany advances	(23,384)			23,384	
Acquisitions, net of cash		(91,285)			(91,285)
De-consolidation of subsidiary			(1,217)		(1,217)
Decrease in restricted cash			1,690		1,690
Capital expenditures	(1,781)	(46,700)	(16,018)	22	(64,477)
	(78,360)	(123,889)	(15,545)	76,673	(141,121)

Net cash provided by (used in)
investing activities

Cash flows from financing
activities

Changes in revolving notes	52,500		(3,622)		48,878
Intercompany advances		17,894	5,490	(23,384)	
Proceeds from issuance of notes payable		49,613			49,613
Repayments of notes payable	(1,001)	(3,551)	(1,017)		(5,569)
Dividends	(3,933)				(3,933)
Stock options exercised	2,921				2,921
Tax expense of options exercised and restricted stock awards dividends	9				9
Investment by joint venture partner			6,000		6,000
Net cash provided by (used in) financing activities	50,496	63,956	6,851	(23,384)	97,919
Effect of exchange rate changes	(3,458)	194	5,708	(10)	2,434
Increase (decrease) in cash and cash equivalents	(15,422)		(5,386)		(20,808)
Cash and cash equivalents Beginning of period	15,422		5,386		20,808
End of period	\$	\$	\$	\$	\$

(1) Our Mexican joint venture is shown as a non-guarantor subsidiary in the current year's presentation. In the prior year's presentation financial information for the joint venture, while immaterial, was allocated among the guarantor, non-guarantor and eliminations categories.

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THE GREENBRIER COMPANIES, INC.

Note 19 Subsequent Event

On June 10, 2009, the Company obtained a \$75.0 million secured term loan from affiliates of WL Ross & Co. LLC (WLR). The loan bears interest, at the Company's option, at a rate equal to a base rate, as defined, or at three-month LIBOR in each case plus 3.5%. Principal, together with all accrued and unpaid interest, is due and payable in June 2012. The agreement contains customary affirmative covenants, including covenants regarding reporting requirements, maintenance of insurance, maintenance of properties and compliance with applicable laws and regulations, and contains customary negative covenants limiting our ability, among other things, to grant liens, make investments, incur debt, make certain restricted payments or sell, transfer or dispose of assets, subject to certain exceptions. The loan does not contain financial ratio covenants. The new secured term loan contains a feature by which the Company and WLR may jointly agree on conditions to increase the loan to \$150.0 million.

In connection with the \$75.0 million secured term loan, the Company issued warrants to purchase an aggregate of 3.378 million shares of Greenbrier common stock at \$6.00 per share, subject to certain adjustments. The warrants are exercisable for five years, and the warrant holders are party to an Investor Rights and Restrictions Agreement containing Board of Directors nomination and observer rights, standstill and other voting agreement provisions, securities registration rights, and other rights and restrictions.

On June 10, 2009, in conjunction with the execution of the agreement described above, the Company entered into an amendment to its North American revolving credit facility. The amendment reduced the aggregate commitments under the facility from \$290.0 million to \$100.0 million, increased the applicable margins on base rate loans to prime, as defined, plus 3.5% and LIBOR loans to LIBOR plus 4.5%, placed certain limitations on permitted acquisitions and amended certain financial ratio covenants effective May 31, 2009, including the exclusion of the effects of non-cash goodwill impairment charges. The amendment also modified certain other provisions of the revolving credit facility, including the release of security interests in the assets of the Refurbishment & Parts business subsidiaries to permit the Company to enter into and incur debt under the \$75.0 million secured term loan, and any renewals, extensions and re-financings thereof. The maturity of the facility remains unchanged at November 2011.

Amortization of fees and expenses associated with these financings are expected to be approximately \$2.8 million per year over the next three years. As required by SFAS No. 123, a valuation of the warrants is in process and will be completed in the fourth quarter of 2009. The value of the warrants will be amortized over the next three years. The outstanding warrants will have an effect on the calculation of the number of diluted shares outstanding using the treasury stock method, if the Company's average market price per share during a quarter is greater than the warrant strike price.

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THE GREENBRIER COMPANIES, INC.

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

Executive Summary

We operate in three primary business segments: Manufacturing, Refurbishment & Parts and Leasing & Services. These three business segments are operationally integrated. The Manufacturing segment, operating from four facilities in the United States, Mexico and Poland, produces double-stack intermodal railcars, conventional railcars, tank cars and marine vessels. The Refurbishment & Parts segment performs railcar repair, refurbishment and maintenance activities in the United States and Mexico as well as wheel, axle and bearing servicing, and production and reconditioning of a variety of parts for the railroad industry. The Leasing & Services segment owns approximately 9,000 railcars and provides management services for approximately 215,000 railcars for railroads, shippers, carriers, and other leasing and transportation companies in North America. Segment performance is evaluated based on margins. We also produce rail castings through an unconsolidated joint venture.

All segments of the North American and European freight car markets in which we operate are currently experiencing depressed demand in a weak economy, market saturation of certain freight car types and tight capital markets. All of the aforementioned contribute to increased caution on the part of our customers and intensified competitive circumstances. Year to date industrywide car loadings in North America through June 20, 2009 are down approximately 20% as compared to the same period in 2008 and it is believed that a significant amount of the freight car fleet in North America is idle. These market factors have led and may continue to lead to lower revenues and reduced margins for some of our operations in the current year. In response to these market conditions we are concentrating our North American railcar manufacturing at our Mexican joint venture facility and curtailing new railcar production at our other North American facilities. These conditions may also lead to the temporary idling of some of our other facilities.

Because the rail industry is cyclical in nature, multi-year supply agreements are a part of industry practice. Customer orders may be subject to cancellations and contain terms and conditions customary in the industry. Historically, little variation has been experienced between the product ordered and the product actually delivered. Recent economic conditions have caused some customers to consider renegotiation, delay or cancellation of orders. The backlog is not necessarily indicative of future results of operations.

Our total manufacturing backlog, which includes the order from General Electric Railcar Services Corporation (GE), of railcars for sale and lease as of May 31, 2009 was approximately 14,100 units with an estimated value of \$1.25 billion compared to 17,500 units valued at \$1.55 billion as of May 31, 2008. The current backlog includes approximately 8,500 units under the GE contract that are subject to our fulfillment of certain competitive or contractual conditions. There are currently 400 other units in backlog from a customer other than GE that are subject to certain cancellation provisions. Based on current production plans, approximately 900 units in backlog are scheduled for delivery in the remainder of fiscal year 2009. 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. In addition, a substantial portion of our backlog consists of orders for tank cars which are a new product type for us in North America.

In 2007 we entered into a long-term contract with GE to build 11,900 tank cars and covered hoppers over an eight-year period with a current value of approximately \$1.0 billion. Under the GE contract, the first 2,400 tank cars and 1,000 covered hopper cars are to be delivered during a ramp up period ending April 2011, during which period our production of tank cars was to accelerate as our tank car manufacturing process becomes more efficient and in turn GE's order quantities of tank cars and covered hopper cars were to increase through such period. The remaining 8,500 railcars under the agreement are to be delivered over the balance of the eight-year period and are subject to our fulfillment of certain contractual conditions. Deliveries of the railcar units commenced in December 2008.

Earlier this year, GE advised us of their desire to substantially reduce, delay or otherwise cancel deliveries under the contract, and we are currently in discussions with GE. We believe GE is in breach of its obligations under our contract. GE has recently instructed us to slow our production of railcars to a rate of production less than that required under our agreement. GE has also unilaterally begun reducing the number of railcars they are willing to

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accept for delivery despite the fact they have inspected and approved the railcars as conforming to the specifications. GE has also advised us of their intention to continue to unilaterally reduce the number of monthly deliveries of railcars they will accept under the agreement and have unilaterally sought to impose hyper-technical quality inspection practices. GE's recently proposed modifications to the agreed upon monthly delivery schedules are substantially lower than the amount necessary to permit us to manufacture and deliver the contractually required total of 2,400 tank cars and 1,000 covered hopper cars by the end of the ramp up period of the agreement in April 2011. GE's proposed modifications to the railcar order quantities also do not allow for efficient operation of our manufacturing facilities as required by the agreement. We have not agreed to GE's requested reductions in deliveries, and do not believe the contract permits GE to unilaterally reduce the number of railcar deliveries from what was previously agreed upon. Currently, we continue to produce, and intend to deliver, the number of tank cars and covered hopper cars ordered by GE under the agreement even though such amount is at a rate which exceeds the number of railcars GE has told us they are willing to accept for delivery.

Through June 30, 2009 GE has accepted, and we have delivered, only 101 tank cars and 10 covered hopper cars. In addition, we have manufactured, and have sent for delivery to GE, an additional 16 tank cars and 13 covered hopper cars beyond the amount GE has indicated it will accept for delivery for the month ended June 30, 2009. These railcars have been inspected and approved by GE as conforming to the specifications.

During the period through June 30, 2009, GE unilaterally reduced the number of railcars it would accept for delivery, notwithstanding the requirements of the contract. GE has also advised us of their intention to continue to unilaterally reduce the number of deliveries of railcars they will accept through September 30, 2009, from a contractually agreed upon cumulative total of 432 tank cars (capacity 30,000 gallons and 16,500 gallons) and 200 covered hopper cars to only a cumulative total of 178 tank cars (capacity 30,000 gallons and 16,500 gallons) and 40 covered hopper cars.

Through September 30, 2009, the difference between what GE has said it will accept for delivery from what they are required to accept for delivery under the contract is 414 cars, with an approximate value of \$35.0 million.

GE asserts unilaterally that in subsequent periods they will accept for delivery an even smaller number of railcars. The seriousness of this problem to us accelerates during each fiscal quarter of 2010 and 2011 fiscal years. We have not agreed upon firm delivery schedules beyond September 30, 2009, but GE has further advised us that they intend to accept for delivery no more than 25 tank cars (capacity 30,000 gallons and 16,500 gallons) and 10 covered hopper cars per month from October 2009 to June 2010. Based on the production schedule originally proposed by both parties for the ramp up period, this is 95 fewer tank cars per month and 105 fewer covered hopper cars per month than what would be required during this period to allow us to produce railcars at an efficient rate and for both parties to fulfill their obligations under the agreement.

Reducing railcar production to the levels currently proposed by GE would make it impossible for us to produce the numbers of railcars GE is required to purchase and we are required to deliver during the ramp up period.

We are continuing to discuss delivery schedules with GE. If GE unilaterally continues to decline to accept delivery of railcars in amounts previously agreed upon, or we are not able to agree on mutually acceptable delivery schedules for the remainder of the ramp up period, we may have to either substantially slow or halt production of these railcars, or else store completed cars pending resolution of these issues. We are unable to quantify at this time the potential financial effects of GE's breach of the agreement, continuing delays in accepting delivery of railcars or other failures by GE to perform the GE contract. We believe the contract contains adequate protection in that it defines the rights and obligations of the parties with respect to railcar purchase and sale requirements and inspection standards and that both the contract and law provide effective legal and equitable remedies.

Marine backlog was approximately \$145.0 million as of May 31, 2009, of which approximately \$20.0 million is scheduled for delivery in the remainder of fiscal year 2009 and the balance through 2012.

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. Subsequent to 2008, prices for steel, railcar components and scrap steel have declined but remain volatile. New railcar and marine backlog generally either includes fixed price contracts which anticipate material price increases and surcharges, or contracts that contain actual pass through of material price increases and

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surcharges. On certain fixed price railcar contracts actual material cost increases and surcharges have caused the total manufacturing cost of the railcar to exceed the amounts originally anticipated, and in some cases, the actual contractual sale price of the railcar. When the anticipated loss on production of railcars in backlog is both probable and estimable, we accrue a loss contingency. Accrued loss contingencies for production in backlog totaled \$0.6 million as of May 31, 2009. 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.

As part of an order to deliver 500 railcar units, we have an obligation to guarantee the purchaser minimum earnings. The obligation runs from the date of the railcar delivery through December 31, 2011. The maximum potential obligation totals \$13.2 million and in certain defined instances the obligation may be reduced due to early termination. The purchaser has agreed to utilize the railcars on a preferential basis, and we are entitled to re-market the railcar units when they are not being utilized by the purchaser during the obligation period. Any earnings generated from the railcar units will offset the obligation and be recognized as revenue and margin in future periods. We believe our actual obligation will be less than the \$13.2 million. We delivered 444 railcar units under this contract through May 31, 2009. The balance of the deliveries is currently expected to occur by the end of this fiscal year. Upon delivery of the railcar units, the entire purchase price is recorded as revenue and due in full. The minimum earnings due to the purchaser are considered a reduction of revenue and are recorded as deferred revenue. As of May 31, 2009 we recorded \$12.0 million of the potential obligation as deferred revenue and \$1.2 million was included in the calculation of the loss contingency for production in backlog.

We are currently implementing measures to reduce our selling and administrative and overhead costs, including reductions in headcount. As a result, during the nine months ended May 31, 2009 \$2.1 million was expensed for severance costs, of which \$0.8 million was recorded in Cost of revenue and \$1.3 million in Selling and administrative cost.

We test goodwill annually during the third quarter using a testing date of February 28th. In accordance with the provision of SFAS 142, *Goodwill and Other Intangible Assets*, the Company performed Step One of the SFAS 142 analysis as of February 28, 2009. This analysis included an equity test whereby the fair value of each reporting unit's total equity is compared to the carrying value of equity and an asset test whereby the fair value of each reporting unit's total assets was estimated and compared to the carrying value of assets. Greenbrier's reporting units for this test are the same as its segments. The fair value of our reporting units was determined based on a weighting of income and market approaches. Under the income approach, the fair value of a reporting unit is based on the present value of estimated future cash flows. Under the market approach, the fair value is based on observed market multiples for comparable businesses and guideline transactions. We also considered the premium of the implied value of its reporting units over the current market value of its stock. Results of the Step One analysis indicated that the carrying amounts of all reporting units were in excess of their fair value indicating that an impairment was probable. Accordingly, we were required to perform Step Two of the SFAS 142 impairment analysis to determine the amount, if any, of goodwill impairment to be recorded.

Under Step Two of the SFAS 142 analysis, the implied fair value of goodwill requires valuation of a reporting unit's tangible and intangible assets and liabilities in a manner similar to the allocation of purchase price in a business combination. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, goodwill is deemed impaired and is written down to the extent of the difference. The Step Two analysis was completed during the third quarter and we concluded that a portion of our goodwill was impaired. As a result, a pre-tax non-cash impairment charge of \$55.7 million was recorded which consists of \$1.3 million in the Manufacturing segment, \$3.1 million in the Leasing & Services segment and \$51.3 million in the Refurbishment & Parts segment. After goodwill impairment charges, a balance of \$137.1 million remained in goodwill related to the Refurbishment & Parts segment.

In conjunction with our annual test of goodwill, certain long lived assets were tested for impairment during the quarter ended May 31, 2009. Forecasted undiscounted future cash flows exceeded the carrying amount of the assets indicating that the assets were not impaired.

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Effective February 27, 2009 we entered into an agreement with our Mexican joint venture partner, Grupo Industrial Monclova (GIMSA), whereby Greenbrier converted working capital advances to our Mexican joint venture of \$27.0 million to a secured, interest bearing loan. Greenbrier may from time to time provide additional loans to the joint venture. In addition, Greenbrier has acquired an option from our joint venture partner to increase our current fifty percent ownership to sixty six and two-thirds percent.

On January 31, 2009, the wheel facility in Washington, Illinois was extensively damaged by fire. Substantially all the work scheduled to be completed at this facility has been shifted to other wheel facilities in the Refurbishment & Parts network and we have not experienced significant disruptions in service to our customers. We believe we are adequately covered by insurance for any such loss associated with this fire. A portion of the insurance proceeds were received subsequent to quarter end and it is likely that we will recover additional amounts under our insurance coverage, a portion of which may be recorded as a gain in future periods. We are currently unable to determine the amount or timing of the collection of the remaining proceeds or these potential gains.

In May 2008, the FASB issued FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*. This FSP specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. This FSP is effective for us beginning September 1, 2009 with respect to \$100.0 million of outstanding convertible debt. This FSP cannot be early adopted and requires retrospective adjustments for all periods we had the convertible debt outstanding. On September 1, 2009 we expect to record, on our Consolidated Balance Sheet, a debt discount of \$17.0 million, a deferred tax liability of \$6.7 million and a \$10.3 million increase to equity. The debt discount is expected to be amortized using the effective interest rate method through May 2013 and the amortization expense will be included in Interest and foreign exchange on the Consolidated Statements of Operations. The pre-tax amortization is expected to be approximately \$4.1 million in fiscal year 2010, \$4.5 million in fiscal year 2011, \$4.8 million in fiscal year 2012 and \$3.6 million in fiscal year 2013.

On June 10, 2009, we obtained a \$75.0 million secured term loan from affiliates of WL Ross & Co. LLC (WLR). Amortization of fees and expenses associated with these financings are expected to be approximately \$2.8 million per year over the next three years. In connection with the \$75.0 million secured term loan, we issued warrants to purchase an aggregate of 3.378 million shares of Greenbrier common stock at \$6.00 per share, subject to certain adjustments. The warrants are exercisable for five years. As required by SFAS No. 123, a valuation of the warrants is in process and will be completed in the fourth quarter of 2009. The value of the warrants will be amortized over the next three years. The outstanding warrants will have an effect on the calculation of the number of diluted shares outstanding using the treasury stock method, if our average market price per share during a quarter is greater than the warrant strike price.

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

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THE GREENBRIER COMPANIES, INC.

assets is based on the information available at the time the financial statements are prepared and may include estimates of future income and other assumptions that are inherently uncertain.

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

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

Revenue recognition Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable and collectibility is reasonably assured. Railcars are generally manufactured, repaired or refurbished under firm orders from third parties. Revenue is recognized when railcars 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 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.

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

We perform a goodwill impairment test annually during the third quarter. Goodwill is also tested more frequently if changes in circumstances or the occurrence of events indicates that a potential impairment exists. The provisions of

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THE GREENBRIER COMPANIES, INC.

SFAS 142, *Goodwill and Other Intangible Assets*, 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.

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

Results of Operations

Three Months Ended May 31, 2009 Compared to Three Months Ended May 31, 2008

Overview

Total revenues for the three months ended May 31, 2009 were \$244.4 million, a decrease of \$137.7 million from revenues of \$382.1 million in the prior comparable period. Net losses were \$50.5 million for the three months ended May 31, 2009 compared to net earnings of \$8.1 million for the three months ended May 31, 2008.

Manufacturing Segment

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

Manufacturing revenue for the three months ended May 31, 2009 was \$106.0 million compared to \$201.8 million in the corresponding prior period, a decrease of \$95.8 million. The decrease was primarily the result lower deliveries and a \$2.1 million obligation of guaranteed minimum earnings on certain railcars delivered during the quarter. This was partially offset by a railcar product mix with a higher per unit sales price and higher marine revenues. New railcar deliveries were approximately 800 units in the current period compared to 2,200 units in the prior comparable period. Manufacturing margin as a percentage of revenue for the three months ended May 31, 2009 was 4.8% compared to 0.5% for the three months ended May 31, 2008. The increase was primarily the result of improved marine margins due to increased labor efficiencies and a continuous run of similar type barges, as well as a more favorable new railcar product mix. This was partially offset by less absorption of overhead due to lower levels of plant utilization.

Refurbishment & Parts Segment

Refurbishment & Parts revenue of \$120.2 million for the three months ended May 31, 2009 decreased by \$32.2 million from revenue of \$152.4 million in the prior comparable period. The decrease was primarily due to lower volumes of work and a decrease in scrap metal pricing.

Refurbishment & Parts margin as a percentage of revenue was 12.8% for the three months ended May 31, 2009 compared to 21.0% for the three months ended May 31, 2008. The decrease is due to lower volumes, a less favorable mix of repair and refurbishment work, lower net scrap pricing and \$0.1 million in severance.

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Leasing & Services Segment

Leasing & Services revenue decreased \$9.6 million to \$18.3 million for the three months ended May 31, 2009 compared to \$27.9 million for the three months ended May 31, 2008. The change was primarily the result of a \$5.4 million decrease in gains on disposition of assets from the fleet, downward pressure on lease renewal rates, lower earnings on certain car hire utilization leases, lower lease fleet utilization and lower maintenance management revenue.

Pre-tax losses of \$0.4 million were realized on the disposition of leased equipment, compared to gains of \$5.0 million in the prior comparable period. 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. The losses during the quarter principally relate to an adjustment to a previously recorded loss contingency for a future sale due to a lower expected sales price than originally anticipated.

Leasing & Services margin as a percentage of revenue was 34.1% and 56.2% for the three months ended May 31, 2009 and 2008. The decrease was primarily a result of decreased gains on disposition of assets from the lease fleet, which have no associated cost of revenue, downward pressure on lease renewal rates, lower earnings on certain car hire utilization leases and lower lease fleet utilization.

Other Costs

Selling and administrative expense was \$15.9 million for the three months ended May 31, 2009 compared to \$23.4 million for the comparable prior period, a decrease of \$7.5 million. The decrease was primarily due to lower employee related costs and continued cost reduction efforts in the current economic environment. The decrease was partially offset by severance costs of \$0.4 million related to work force reductions.

Interest and foreign exchange increased \$0.8 million to \$10.7 million for the three months ended May 31, 2009, compared to \$9.9 million in the prior comparable period. Interest expense decreased \$1.8 million to \$8.3 million due to lower debt levels and more favorable interest rates on our variable rate debt, offset somewhat by an expense of \$0.4 million to break interest rate swaps associated with the voluntary prepayment of approximately \$6.1 million of certain long term debt. Current period results include foreign exchange losses of \$2.5 million compared to foreign exchange gains of \$0.1 million in the prior comparable period principally due to the continued fluctuations in the Polish Zloty and Mexican Peso relative to other currencies.

Special Charges

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

Income Taxes

The provision for income taxes was a \$4.8 million benefit and \$7.6 million expense for the three months ended May 31, 2009 and 2008. The third quarter 2009 provision includes a \$4.6 million benefit associated with special charges for goodwill impairment and \$1.3 million reversal of certain FIN 48 reserves for which the reserve requirement had lapsed. The provision for income taxes is based on projected geographical mix of consolidated results from operations for the entire year which results in an estimated 37.9% annual effective tax rate on pre-tax results. The effective tax rate fluctuates from year to year due to the geographical mix of pre-tax earnings and losses, minimum tax requirements in certain local jurisdictions and operating results for certain operations with no related tax effect. The actual tax rate for the third quarter of fiscal year 2009 was 8.7% as compared to 49.7% in the prior comparable period. The actual rate of 8.7% differs from the estimated effective rate of 37.9% due to revisions to our projected geographical mix of consolidated results from operations, a significant portion of the goodwill impairment charge being non-deductible for tax purposes and the \$1.3 million reversal of certain FIN 48 reserves.

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THE GREENBRIER COMPANIES, INC.

Equity in Earnings (Loss) of Unconsolidated Subsidiaries

Equity in earnings (loss) of the castings joint venture was a loss of \$0.5 million for the three months ended May 31, 2009 compared to earnings of \$0.2 million for the three months ended May 31, 2008. The decrease was associated with lower sales volumes of rail castings.

Nine Months Ended May 31, 2009 Compared to Nine Months Ended May 31, 2008

Overview

Total revenues for the nine months ended May 31, 2009 were \$787.7 million, a decrease of \$140.4 million from revenues of \$928.1 million in the prior comparable period. Net loss was \$60.7 million for the nine months ended May 31, 2009 compared to net earnings of \$12.2 million for the nine months ended May 31, 2008.

Manufacturing Segment

Manufacturing revenue for the nine months ended May 31, 2009 was \$354.3 million compared to \$484.4 million in the corresponding prior period, a decrease of \$130.1 million. The decrease was primarily the result of lower deliveries and a \$12.0 million obligation of guaranteed minimum earnings under a certain contract. The decrease was somewhat offset by a change in product mix with higher per unit sales prices and higher marine revenues. New railcar deliveries were approximately 2,900 units in the current period and compared to 5,400 units in the prior comparable period. Manufacturing margin as a percentage of revenue for the nine months ended May 31, 2009 was a negative 1.6% compared to a positive 3.1% for the nine months ended May 31, 2008. The decrease was primarily the result of the \$12.0 million obligation of guaranteed minimum earnings under a certain contract, higher material costs and scrap surcharge expense, severance of \$0.7 million and less absorption of overhead due to lower production levels and plant utilization. This was partially offset by improved marine margins as a result of labor efficiencies and a continuous run of similar barge types.

Refurbishment & Parts Segment

Refurbishment & Parts revenue of \$374.2 million for the nine months ended May 31, 2009 increased by \$5.4 million from revenue of \$368.8 million in the prior comparable period. The increase was primarily due to acquisition related growth of approximately \$43.7 million associated with the acquisition of American Allied Railway Equipment Company (AARE) which occurred early in third quarter of fiscal 2008 offset by lower wheel and parts volumes and reduced volumes of railcar repair and refurbishment work in the current economic environment.

Refurbishment & Parts margin as a percentage of revenue was 11.4% for the nine months ended May 31, 2009 compared to 17.9% for the nine months ended May 31, 2008. The decrease was primarily due to lower net scrap pricing, a less favorable mix of repair and refurbishment work and \$0.1 million in severance.

Leasing & Services Segment

Leasing & Services revenue decreased \$15.5 million to \$59.3 million for the nine months ended May 31, 2009 compared to \$74.8 million for the nine months ended May 31, 2008. The change was primarily the result of a \$7.1 million decrease in gains on disposition of assets from the lease fleet, lower lease fleet utilization, downward pressure on lease renewal rates, lower earnings on certain car hire utilization leases and lower maintenance revenue. Pre-tax losses of \$0.1 million were realized on the disposition of leased equipment, compared to \$7.0 million pre-tax gains in the prior comparable period. 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.

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Leasing & Services margin as a percentage of revenue decreased to 40.1% for the nine months ended May 31, 2009 compared to 51.3% for the nine months ended May 31, 2008. The change was primarily a result of decreases in gains on disposition of assets from the lease fleet, which have no associated cost of revenue, lower lease fleet utilization, downward pressure on lease renewal rates and lower earnings on certain car hire utilization leases.

The percent of owned units on lease as of May 31, 2009 was 92.1% compared to 96.1% at May 31, 2008.

Other Costs

Selling and administrative costs were \$48.1 million for the nine months ended May 31, 2009 compared to \$64.6 million for the comparable prior period, a decrease of \$16.5 million. The decrease was primarily due to lower employee related costs, continued cost reduction efforts in the current economic environment and reversal of \$2.1 million of certain accruals. The decrease was partially offset by severance costs of \$1.3 million related to reductions in work force.

Interest and foreign exchange decreased \$0.5 million to \$29.8 million for the nine months ended May 31, 2009, compared to \$30.3 million in the prior comparable period. Interest expense decreased \$2.1 million to \$26.8 million due to lower debt levels and more favorable interest rates on our variable rate debt, offset somewhat by an expense of \$0.4 million to break interest rate swaps associated with the voluntary prepayment of approximately \$6.1 million of certain long term debt. Current period results include foreign exchange losses of \$2.9 million compared to foreign exchange losses of \$1.3 million in the prior comparable period principally due to the continued fluctuations in the Polish Zloty and Mexican Peso relative to other currencies. Included in the \$1.3 million foreign exchange loss is a \$2.6 million foreign exchange loss that was recorded in association with foreign currency forward exchange contracts that did not qualify for hedge accounting treatment under SFAS 133. These contracts became eligible for hedge accounting treatment at the end of January 2009.

Special Charges

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

In April 2007, the Board of Directors approved the permanent closure of our Canadian railcar manufacturing facility. As a result of the facility closure decision, special charges of \$2.3 million were recorded during the nine months ended May 31, 2008 consisting of severance costs and professional and other fees associated with the closure.

Income Taxes

The provision for income taxes was a \$10.7 million benefit and a \$12.4 million expense for the nine months ended May 31, 2009 and 2008. The provision for 2009 includes a \$4.6 million benefit associated with special charges for goodwill impairment and \$1.4 million reversal of certain FIN 48 reserves for which the reserve requirement had lapsed. The provision for income taxes is based on projected consolidated results of operations for the entire year which results in an estimated 37.9% annual effective tax rate on pre-tax results. The effective tax rate fluctuates from year to year due to the geographical mix of pre-tax earnings and losses, minimum tax requirements in certain local jurisdictions and operating results for certain operations with no related tax effect. The actual tax rate for the first nine months of the fiscal year 2009 was 14.7% as compared to 56.3% in the prior comparable period. The actual rate of 14.7% differs from the estimated effective rate of 37.9% due to revisions to our projected geographical mix of consolidated results from operations, a significant portion of the goodwill impairment charge being non-deductible for tax purposes and a \$1.4 million reversal of certain FIN 48 reserves.

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THE GREENBRIER COMPANIES, INC.

Equity in Earnings (Loss) of Unconsolidated Subsidiaries

Equity in earnings (loss) of the castings joint venture was a loss of \$0.3 million for the nine months ended May 31, 2009 compared to earnings of \$0.5 million for the nine months ended May 31, 2008. The decrease in earnings was associated with lower sales volumes of rail castings.

Liquidity and Capital Resources

We have been financed through cash generated from operations and borrowings. During the nine months ended May 31, 2009, cash increased \$11.0 million to \$17.0 million from \$6.0 million at August 31, 2008.

Cash provided by operations for the nine months ended May 31, 2009 was \$89.2 million compared to \$20.0 million for the nine months ended May 31, 2008. The change is due primarily to changes in working capital needs including purchases and sales of railcars held for sale, timing of inventory purchases and varying customer payment terms.

Cash used in investing activities was \$28.3 million for the nine months ended May 31, 2009 compared to \$141.1 million in the prior comparable period. The prior year included the acquisitions of AARE and RBI. Cash usage during the current year is primarily for capital expenditures.

Capital expenditures totaled \$33.5 million and \$64.5 million for the nine months ended May 31, 2009 and 2008. Of these capital expenditures, approximately \$22.3 million and \$41.3 million were attributable to Leasing & Services operations for the nine months ended May 31, 2009 and 2008. We regularly sell assets from our lease fleet, some of which may have been purchased within the current year and included in capital expenditures. Depending on market conditions and fleet management objectives, Leasing & Services capital expenditures for 2009, net of proceeds from sales of equipment, are expected to be nominal. Proceeds from the sale of equipment were \$4.5 million and \$13.4 million for the nine months ended May 31, 2009 and 2008.

Approximately \$8.1 million and \$18.4 million of capital expenditures for the nine months ended May 31, 2009 and 2008 were attributable to manufacturing operations. Capital expenditures for manufacturing operations are expected to be approximately \$10.0 million in 2009 and primarily relate to start up of our tank car line at the Mexican joint venture, ERP implementation and maintenance of existing equipment.

Refurbishment & Parts capital expenditures for the nine months ended May 31, 2009 and 2008 were \$3.1 million and \$4.8 million and are expected to be approximately \$7.0 million in 2009 for maintenance of existing equipment, ERP implementation and some reconfiguration of our operations.

Cash used in financing activities was \$41.2 million for the nine months ended May 31, 2009 compared to cash provided by financing of \$97.9 million in the nine months ended May 31, 2008. During the nine months ended May 31, 2009 we repaid \$28.2 million in net proceeds from borrowings under revolving credit lines and a \$6.1 million voluntary prepayment of certain long term notes. In the prior period, we received \$48.9 million in net proceeds from borrowings under revolving credit lines and \$49.6 in net proceeds from term loan borrowings. All amounts originating in foreign currency have been translated at the May 31, 2009 exchange rate for the following discussion. As of May 31, 2009 senior secured revolving credit facilities, consisting of two components, aggregated \$122.8 million. As of May 31, 2009 a \$290.0 million revolving line of credit 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. In addition, current lines of credit totaling \$22.8 million, with various variable rates, are available for working capital needs of the European manufacturing operation. Currently these European credit facilities have maturities that range from August 2009 through June 2010. European credit facility renewals are continually under negotiation and the Company expects the available credit facilities to be approximately \$23.0 million through August 31, 2009.

As of May 31, 2009 outstanding borrowings under our facilities aggregated \$65.9 million in revolving notes and \$4.0 million in letters of credit. This consists of \$44.9 million in revolving notes and \$4.0 million in letters of credit

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outstanding under the United States credit facility and \$21.0 million in revolving notes outstanding under the European credit facilities.

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. Subsequent to quarter end, on June 10, 2009, we received a \$75.0 million secured term loan from affiliates of WL Ross & Co. LLC (WL Ross) maturing in June 2012. The loan contains no financial covenants and has a variable interest rate of LIBOR plus 3.5%. In connection with the loan we issued warrants to purchase 3.378 million shares of our common stock at \$6 per share. The warrants have a five-year term.

Concurrent with the WL Ross loan, we amended our North American revolving credit facility and reduced the size of the facility from \$290.0 million to \$100.0 million. The amendment provides for more accommodative financial covenants effective as of May 31, 2009 and increased the interest rate to LIBOR plus 4.5%. The maturity of the facility remains unchanged at November 2011. As part of the amendment, goodwill impairment charges are excluded for the financial covenant ratio calculations.

As of June 10, 2009 the outstanding balance on the North American credit facility was paid down in full using a portion of the proceeds from the \$75.0 million secured term loan, and cash balances were approximately \$30.0 million. Available borrowing for 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 which as of June 10, 2009 would provide for maximum additional borrowing of \$111.6 million. The Company has \$96.0 million available to draw down under the committed credit facility as of June 10, 2009.

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. The Company has fully utilized all existing foreign currency hedge facilities. Foreign operations give rise to risks from changes in foreign currency exchange rates. Greenbrier utilizes 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.

Currently we are seeking a third party line of credit to support our Mexican joint venture due in part to current limitations in our existing loan covenants. In the interim, Greenbrier is financing the working capital needs of the joint venture through a \$27.0 million secured, interest bearing loan.

In accordance with customary business practices in Europe, we have \$12.6 million in third party performance and warranty guarantee facilities all of which have been utilized as of May 31, 2009. To date, no amounts have been drawn under these performance and warranty guarantees.

We have outstanding letters of credit aggregating \$4.0 million associated with facility leases and payroll.

Quarterly dividends of \$.08 per share were paid from the fourth quarter of 2005 through the first quarter of 2009. The quarterly dividend was decreased to \$.04 per share during the second quarter of 2009. During the third quarter of 2009 the quarterly dividend was suspended.

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THE GREENBRIER COMPANIES, INC.

We have advanced \$0.5 million in long term advances to an unconsolidated subsidiary which are secured by accounts receivable and inventory. As of May 31, 2009, this same unconsolidated subsidiary had \$3.2 million in third party debt for which we have guaranteed one-third or approximately \$1.1 million.

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

Off Balance Sheet Arrangements

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

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risk

We have operations in Mexico, Germany and Poland that conduct business in their local currencies as well as other regional currencies. To mitigate the exposure to transactions denominated in currencies other than the functional currency of each entity, we enter into foreign currency forward exchange contracts to protect the margin on a portion of forecast foreign currency sales. At May 31, 2009, \$30.4 million of forecast sales 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, 2009, net assets of foreign subsidiaries aggregated \$8.6 million and a uniform 10% strengthening of the United States dollar relative to the foreign currencies would result in a decrease in stockholders' equity of \$0.9 million, 0.5% of total stockholders' equity. 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 our floating rate debt with interest rate swap agreements, effectively converting \$47.3 million of variable rate debt to fixed rate debt. At May 31, 2009, the exposure to interest rate risk is reduced since 70% of our debt has fixed rates and 30% has floating rates. As a result, we are exposed to interest rate risk relating to our revolving debt and a portion of term debt. At May 31, 2009, a uniform 10% increase in interest rates would result in approximately \$0.4 million of additional annual interest expense.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Controls over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the quarter ended May 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Item 4T. Controls and Procedures

Not applicable

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There is hereby incorporated by reference the information disclosed in Note 17 to Consolidated Financial Statements, Part I of this quarterly report.

Item 1A. Risk Factors

There have been no material changes in our risk factors described in our Annual Report on Form 10-K for the year ended August 31, 2008.

Item 6. Exhibits

(a) List of Exhibits:

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.

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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 7, 2009

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

Date: July 7, 2009

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

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