GREENBRIER COMPANIES INC
Form 10-K
November 10, 2010

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549-1004

Form 10-K

þ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended August 31, 2010

or

o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the transition period from ____to____

Commission File No. 1-13146

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

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

One Centerpointe Drive, Suite 200, Lake Oswego, OR 97035
(Address of principal executive offices)

(503) 684-7000
(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

(Title of Each Class)	(Name of Each Exchange on Which Registered)
Common Stock without par value	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes _ No X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Act. Yes _ No X

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 X No _

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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 X	Non-accelerated filer _ (Do not check if a smaller reporting company)	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 X

Aggregate market value of the Registrant s Common Stock held by non-affiliates as of February 28, 2010 (based on the closing price of such shares on such date) was $157,475,796.

The number of shares outstanding of the Registrant s Common Stock on October 31, 2010 was 21,880,820, without par value.

DOCUMENTS INCORPORATED BY REFERENCE

Parts of Registrant s Proxy Statement dated November 22, 2010 prepared in connection with the Annual Meeting of Stockholders to be held on January 7, 2011 are incorporated by reference into Parts II and III of this Report.

The Greenbrier Companies, Inc.

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Forward-Looking Statements

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

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

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

- fluctuations in demand for newly manufactured railcars or marine barges;
- fluctuations in demand for wheel services, refurbishment and parts;
- delays in receipt of orders, risks that contracts may be canceled during their term or not renewed and that customers may not purchase the amount of products or services under the contracts as anticipated;
- ability to maintain sufficient availability of credit facilities and to maintain compliance with or to obtain appropriate amendments to covenants under various credit agreements;
- domestic and global economic conditions including such matters as embargoes or quotas;
- U.S., Mexican and other global political or security conditions including such matters as terrorism, war, civil disruption and crime;
- growth or reduction in the surface transportation industry;
- ability to maintain good relationships with our workforce, including third party labor providers and collective bargaining units;
- steel and specialty component price fluctuations, scrap surcharges, steel scrap prices and other commodity price fluctuations and their impact on product demand and margin;
- a delay or failure of acquired businesses, start-up operations, or new products or services to compete successfully;
- changes in product mix and the mix of revenue levels among reporting segments;
- labor disputes, energy shortages or operating difficulties that might disrupt operations or the flow of cargo;
- production difficulties and product delivery delays as a result of, among other matters, changing technologies or non-performance of alliance partners, subcontractors or suppliers;
- ability to renew or replace expiring customer contracts on satisfactory terms;

ability to obtain and execute suitable contracts for railcars held for sale;
lower than anticipated lease renewal rates, earnings on utilization based leases or residual values for leased equipment;
discovery of defects in railcars resulting in increased warranty costs or litigation;

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- resolution or outcome of pending or future litigation and investigations;
- loss of business from, or a decline in the financial condition of, any of the principal customers that represent a significant portion of our total revenues;
- competitive factors, including introduction of competitive products, new entrants into certain of our markets, price pressures, limited customer base and competitiveness of our manufacturing facilities and products;
- industry overcapacity and our manufacturing capacity utilization;
- decreases in carrying value of inventory, goodwill or other assets due to impairment;
- severance or other costs or charges associated with lay-offs, shutdowns, or reducing the size and scope of operations;
- changes in future maintenance or warranty requirements;
- ability to adjust to the cyclical nature of the industries in which we operate;
- changes in interest rates and financial impacts from interest rates;
- ability and cost to maintain and renew operating permits;
- actions by various regulatory agencies;
- changes in fuel and/or energy prices;
- risks associated with our intellectual property rights or those of third parties, including infringement, maintenance, protection, validity, enforcement and continued use of such rights;
- expansion of warranty and product support terms beyond those which have traditionally prevailed in the rail supply industry;
- availability of a trained work force and availability and/or price of essential raw materials, specialties or components, including steel castings, to permit manufacture of units on order;
- failure to successfully integrate acquired businesses;
- discovery of previously unknown liabilities associated with acquired businesses;
- failure of or delay in implementing and using new software or other technologies;
- ability to replace maturing lease and management services revenue and earnings with revenue and earnings from new commercial transactions, including new railcar leases, additions to the lease fleet and new management services contracts;
- credit limitations upon our ability to maintain effective hedging programs; and
- financial impacts from currency fluctuations and currency hedging activities in our worldwide operations.

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

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

The Greenbrier Companies is a registered trademark of The Greenbrier Companies, Inc. Gunderson, Maxi-Stack, Auto-Max and YSD are registered trademarks of Gunderson LLC.

PART I

Item 1. BUSINESS

Introduction

We are one of the leading designers, manufacturers and marketers of railroad freight car equipment in North America and Europe, a manufacturer and marketer of ocean-going marine barges in North America and a leading provider of wheel services, railcar refurbishment and parts, leasing and other services to the railroad and related transportation industries in North America.

We operate an integrated business model in North America that combines wheel services, repair and refurbishment, component parts reconditioning, freight car manufacturing, leasing and fleet management services. Our model is designed to provide customers with a comprehensive set of freight car solutions utilizing our substantial engineering, mechanical and technical capabilities as well as our experienced commercial personnel. This model allows us to develop cross-selling opportunities and synergies among our various business segments and to enhance our margins. We believe our integrated model is difficult to duplicate and provides greater value for our customers.

We operate in three primary business segments: Manufacturing; Wheel Services, Refurbishment & Parts and Leasing & Services. Financial information about our business segments for the years ended August 31, 2010, 2009 and 2008 is located in Note 23 Segment Information to our Consolidated Financial Statements.

We are a corporation formed in 1981. Our principal executive offices are located at One Centerpointe Drive, Suite 200, Lake Oswego, Oregon 97035, our telephone number is (503) 684-7000 and our Internet web site is located at http://www.gbrx.com.

Products and Services
Manufacturing

***North American Railcar Manufacturing* -** We manufacture a broad array of railcar types in North America and have demonstrated an ability to capture high market shares in many of the car types we produce. We are the leading North American manufacturer of intermodal railcars with an average market share of approximately 60% over the last five years. In addition to our strength in intermodal railcars, we have commanded an average market share of approximately 60% in boxcars, 35% in flat cars and 10% in covered hoppers over the last five years and we have recently entered the tank car market. The primary products we produce for the North American market are:

Intermodal Railcars - We manufacture a comprehensive range of intermodal railcars. Our most important intermodal product is our articulated double-stack railcar. The double-stack railcar is designed to transport containers stacked two-high on a single platform. An articulated double-stack railcar is comprised of up to five platforms each of which is linked by a common set of wheels and axles. Our comprehensive line of articulated and non-articulated double-stack intermodal railcars offers varying load capacities and configurations. The double-stack railcar provides significant operating and capital savings over other types of intermodal railcars.

Conventional Railcars - We produce a wide range of boxcars, which are used in forest products, automotive, perishables, general merchandise applications and the transport of commodities. We also produce a variety of covered hopper cars for the grain and cement industries as well as gondolas for the steel and metals markets and various other conventional railcar types, including our proprietary Auto-Max car. Our flat car products include center partition cars for the forest products industry, bulkhead flat cars, flat cars for automotive transportation and solid waste service flat cars.

Tank Cars - We produce a line of tank car products for the North American market. We produce 30,000-gallon non-coiled, non-insulated tank cars, which are used to transport ethanol, methanol and more than 60 other commodities. We also produce 16,500 gallon coiled, insulated tank cars for use in caustic soda service, and 25,500 gallon and/or 23,500 gallon coiled, insulated tank cars for use to transport a variety of commodities such as vegetable oils and bio-diesel.

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***European Railcar Manufacturing* - ** Our European manufacturing operation produces a variety of railcar (wagon) types, including a comprehensive line of pressurized tank cars for liquid petroleum gas and ammonia and non-pressurized tank cars for light oil, chemicals and other products. In addition, we produce flat cars, coil cars for the steel and metals market, coal cars for both the continental European and United Kingdom markets, gondolas, sliding wall cars and automobile transporter cars. Although no formal statistics are available for the European market, we believe we are one of the largest new freight car manufacturers with an estimated market share of 10-15%.

***Marine Vessel Fabrication* -** Our Portland, Oregon manufacturing facility, located on a deep-water port on the Willamette River, includes marine vessel fabrication capabilities. The marine facilities also increase utilization of steel plate burning and fabrication capacity providing flexibility for railcar production. We manufacture a broad range of ocean-going barges including conventional deck barges, double-hull tank barges, railcar/deck barges, barges for aggregates and other heavy industrial products and dump barges. Our primary focus is on the larger ocean-going vessels although the facility has the capability to compete in other marine related products.

Wheel Services, Refurbishment & Parts

***Wheel Services, Railcar Repair, Refurbishment and Component Parts Manufacturing* -** We believe we operate the largest independent wheel services, repair, refurbishment and component parts networks in North America, operating in 38 locations. Our wheel shops, operating in 12 locations, provide complete wheel services including reconditioning of wheels, axles and roller bearings in addition to new axle machining and finishing and axle downsizing. Our network of railcar repair and refurbishment shops, operating in 22 locations, performs heavy railcar repair and refurbishment, as well as routine railcar maintenance. We are actively engaged in the repair and refurbishment of railcars for third parties, as well as of our own leased and managed fleet. Our component parts facilities, operating in 4 locations, recondition railcar cushioning units, couplers, yokes, side frames, bolsters and various other parts. We also produce roofs, doors and associated parts for boxcars.

Leasing & Services

***Leasing* -** Our relationships with financial institutions, combined with our ownership of a lease fleet of approximately 8,000 railcars, enables us to offer flexible financing programs including traditional direct finance leases, operating leases and by the mile leases to our customers. As an equipment owner, we participate principally in the operating lease segment of the market. The majority of our leases are full service leases whereby we are responsible for maintenance and administration. Maintenance of the fleet is provided, in part, through our own facilities and engineering and technical staff. Assets from our owned lease fleet are periodically sold to take advantage of market conditions, manage risk and maintain liquidity.

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Management Services **-** Our management services business offers a broad array of software and services that include railcar maintenance management, railcar accounting services such as billing and revenue collection, car hire receivable and payable administration, total fleet management including railcar tracking using proprietary software, administration and railcar remarketing. Frequently, we originate leases of railcars with railroads or shippers, and sell the railcars and attached leases to financial institutions and subsequently provide management services under multi-year agreements. We currently own or provide management services for a fleet of approximately 233,000 railcars in North America for railroads, shippers, carriers, institutional investors and other leasing and transportation companies.

	Fleet Profile[1] As of August 31, 2010		
	Owned Units[2]	**Managed Units**	**Total Units**
Customer Profile:			
Class I Railroads	3,053	100,505	103,558
Leasing Companies	50	97,393	97,443
Non-Class I Railroads	1,326	17,330	18,656
Shipping Companies	3,171	9,969	13,140
Off-lease	458		458
En route to Customer Location	98	26	124
Total Units	8,156	225,223	233,379

(1) Each platform of a railcar is treated as a separate unit.
(2) Percent of owned units on lease is 94.4% with an average remaining lease term of 2.5 years. The average age of owned units is 17 years.

Backlog

The following table depicts our reported railcar backlog in number of railcars and estimated future revenue value attributable to such backlog, at the dates shown:

		August 31,	
	2010	**2009**	**2008**
New railcar backlog units[1]	5,300	13,400	16,200
Estimated future revenue value (in millions)[2]	$ 420	$ 1,160	$ 1,440

(1) Each platform of a railcar is treated as a separate unit.
(2) Subject to change based on finalization of product mix.

The rail and marine industries are cyclical in nature. Customer orders may be subject to cancellations and contain terms and conditions customary in the industry. Until recently, little variation has been experienced between the quantity ordered and the quantity actually delivered. Economic conditions have caused some customers to seek to renegotiate, delay or cancel orders. Our railcar and marine backlogs are not necessarily indicative of future results of operations.

Multi-year supply agreements are a part of rail industry practice. Our total manufacturing backlog of railcars as of August 31, 2010 was approximately 5,300 units with an estimated value of $420 million, compared to 13,400 units valued at $1.16 billion as of August 31, 2009. The August 31, 2010 backlog did not include approximately 300 units valued at $20 million scheduled for production in 2011. These 300 units are contractually committed to third party lessees and are expected to be placed into our lease fleet. Based on current production plans, approximately 4,100 units in the August 31, 2010 backlog are scheduled for delivery in fiscal year 2011. The balance of the production is scheduled for delivery through fiscal year 2013. 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. Subsequent to year end we received new railcar orders for 3,200 units with an aggregate value of approximately $200 million. These units are scheduled for delivery in fiscal year 2011.

Marine backlog was approximately $10 million as of August 31, 2010 with production scheduled into 2011. During the quarter ended August 31, 2010, we removed approximately $60 million of marine vessels from backlog due to the current likelihood that these vessels will not be produced and sold as a result of current economic conditions. Marine backlog was approximately $126 million as of August 31, 2009.

Customers

Our railcar customers in North America include Class I railroads, regional and short-line railroads, leasing companies, shippers, carriers and transportation companies. We have strong, long-term relationships with many of our customers. We believe that our customers preference for high quality products, our technological leadership in developing innovative products and competitive pricing of our railcars have helped us maintain our long-standing relationships with our customers.

In 2010, revenue from three customers together, BNSF Railway Company (BNSF), Union Pacific Railroad (UP) and General Electric Railcar Services Corporation (GE) accounted for approximately 42% of total revenue, 28% of Leasing & Services revenue, 40% of Wheel Services, Refurbishment & Parts revenue and 48% of Manufacturing revenue. No other customers accounted for more than 10% of total revenue.

Raw Materials and Components

Our products require a supply of materials including steel and specialty components such as brakes, wheels and axles. Specialty components purchased from third parties represent a significant amount of the cost of most freight cars. Our customers often specify particular components and suppliers of such components. Although the number of alternative suppliers of certain specialty components has declined in recent years, there are at least two suppliers for most such components and we are not reliant on any one supplier for any component.

Certain materials and components are periodically in short supply which could potentially impact production at our new railcar and refurbishment facilities. In an effort to mitigate shortages and reduce supply chain costs, we have entered into strategic alliances for the global sourcing of certain components, increased our replacement parts business and continue to pursue strategic opportunities to protect and enhance our supply chain.

We periodically make advance purchases to avoid possible shortages of material due to capacity limitations of component suppliers and possible price increases. We do not typically enter into binding long-term contracts with suppliers because we rely on established relationships with major suppliers to ensure the availability of raw materials and specialty items.

Competition

There are currently six major railcar manufacturers competing in North America. One of these builds railcars principally for its own fleet and the others compete with us principally in the general railcar market. We compete on the basis of quality, price, reliability of delivery, reputation and customer service and support.

Competition in the marine industry is dependent on the type of product produced. There are two principal competitors, located in the Gulf States, which build product types similar to ours. We compete on the basis of experienced labor, launch ways capacity, quality, price and reliability of delivery. United States (U.S.) coastwise law, commonly referred to as the Jones Act, requires all commercial vessels transporting merchandise between ports in the U.S. to be built, owned, operated and manned by U.S. citizens and to be registered under the U.S. flag.

We believe that we are among the top five European railcar manufacturers, which maintain a combined market share of over 80%. European freight car manufacturers are largely located in central and eastern Europe where labor rates are lower and work rules are more flexible.

Competition in the wheel services, refurbishment and parts business is dependent on the type of product or service provided. There are many competitors in the railcar repair and refurbishment business and fewer competitors in the wheel services and other parts businesses; recently there have been new entrants in this business segment. We are one of the largest competitors in each business. We compete primarily on the basis of quality, timeliness of delivery, customer service, single source solutions and engineering expertise.

There are at least twenty institutions that provide railcar leasing and services similar to ours. Many of them are also customers that buy new railcars from our manufacturing facilities and used cars from our lease fleet, as well as utilize our management services. More than half of these institutions have greater resources than we do. We compete primarily on the basis of quality, price, delivery, reputation, service offerings and deal structuring ability. We believe our strong servicing capability, integrated with our manufacturing, repair shops, railcar specialization and expertise in particular lease structures provide a strong competitive position.

Marketing and Product Development

In North America, we utilize an integrated marketing and sales effort to coordinate relationships in our various segments. We provide our customers with a diverse range of equipment and financing alternatives designed to satisfy each customer s unique needs, whether the customer is buying new equipment, refurbishing existing equipment or seeking to outsource the maintenance or management of equipment. These custom programs may involve a combination of railcar products, leasing, refurbishing and remarketing services. In addition, we provide customized maintenance management, equipment management, accounting services and proprietary software solutions.

In Europe, we maintain relationships with customers through a network of country-specific sales representatives. Our engineering and technical staff works closely with their customer counterparts on the design and certification of railcars. Many European railroads are state-owned and are subject to European Union regulations covering the tender of government contracts.

Through our customer relationships, insights are derived into the potential need for new products and services. Marketing and engineering personnel collaborate to evaluate opportunities and identify and develop new products. Research and development costs incurred for new product development during the years ended August 31, 2010, 2009 and 2008 were $2.6 million, $1.7 million and $2.9 million.

Patents and Trademarks

We have a number of U.S. and non-U.S. patents of varying duration, and pending patent applications, registered trademarks, copyrights and trade names that are important to our products and product development efforts. The protection of our intellectual property is important to our business and we have a proactive program aimed at protecting our intellectual property and the results from our research and development.

Environmental Matters

We are subject to national, state and local environmental laws and regulations concerning, among other matters, air emissions, wastewater discharge, solid and hazardous waste disposal and employee health and safety. Prior to acquiring facilities, we usually conduct investigations to evaluate the environmental condition of subject properties and may negotiate contractual terms for allocation of environmental exposure arising from prior uses. We operate our facilities in a manner designed to maintain compliance with applicable environmental laws and regulations.

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 130 other parties have received a General Notice of potential liability from the EPA relating to the Portland Harbor Site. The letter advised the Company that it may be liable for the costs of investigation and remediation (which liability may be joint and several with other potentially responsible parties) as well as for natural resource damages resulting from releases of hazardous substances to the site. At this time, ten private and public entities, including the Company, have signed an Administrative Order on Consent (AOC) to perform a remedial investigation/feasibility study (RI/FS) of the Portland Harbor Site under EPA oversight, and several additional entities have not signed such consent, but are nevertheless contributing money to the effort. A draft of the RI study was submitted on October 27, 2009. The Feasibility Study is being developed and is expected to be submitted in the third calendar quarter of 2011. Eighty-two parties have entered into a non-judicial mediation process to try to allocate costs associated with the Portland Harbor site. Approximately 110 additional parties have signed tolling agreements related to such allocations. On April 23, 2009, the Company and the other AOC signatories filed suit against 69 other parties due to a possible limitations period for some such claims; *Arkema Inc. et al v. A & C Foundry Products, Inc.et al,* US District Court, District of Oregon, Case #3:09-cv-453-PK. All but 12 of these parties elected to sign tolling agreements and be dismissed without prejudice, and the case has now been stayed by the court, pending completion of the RI/FS. In addition, the Company has entered into a Voluntary Clean-Up Agreement with the Oregon Department of Environmental Quality in which the Company agreed to conduct an investigation of whether, and to what extent, past or present operations at the Portland property may have released hazardous substances to the environment. The Company is also conducting groundwater remediation relating to a historical spill on the property which antedates its ownership.

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

Regulation

The Federal Railroad Administration in the United States and Transport Canada in Canada administer and enforce laws and regulations relating to railroad safety. These regulations govern equipment and safety appliance standards for freight cars and other rail equipment used in interstate commerce. The Association of American Railroads (AAR) promulgates a wide variety of rules and regulations governing the safety and design of equipment, relationships among railroads and other railcar owners with respect to railcars in interchange, and other matters. The AAR also certifies railcar builders and component manufacturers that provide equipment for use on North American railroads. These regulations require us to maintain our certifications with the AAR as a railcar builder and component manufacturer, and products sold and leased by us in North America must meet AAR, Transport Canada, and Federal Railroad Administration standards.

The primary regulatory and industry authorities involved in the regulation of the ocean-going barge industry are the U.S. Coast Guard, the Maritime Administration of the U.S. Department of Transportation, and private industry organizations such as the American Bureau of Shipping.

The regulatory environment in Europe consists of a combination of European Union (EU) regulations and country specific regulations, including a harmonized set of Technical Standards for Interoperability of freight wagons throughout the EU.

Employees

As of August 31, 2010, we had 4,194 full-time employees, consisting of 2,665 employees in Manufacturing, 1,358 in Wheel Services, Refurbishment & Parts and 171 employees in Leasing & Services and corporate. At the manufacturing facility in Swidnica, Poland, 312 employees are represented by unions. At our Frontera, Mexico joint venture manufacturing facility, 587 employees are represented by a union. At our Sahagun, Mexico facility, 206 employees are represented by a union. In addition to our own employees, 244 union employees work at our Sahagun, Mexico railcar manufacturing facility under our services agreement with Bombardier Transportation. At our Wheel Services, Refurbishment & Parts locations, 59 employees, in Mexico, are represented by unions. We believe that our relations with our employees are generally good.

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Additional Information

We are a reporting company and file annual, quarterly, and special reports, proxy statements and other information with the Securities and Exchange Committee (SEC). You may read and copy these materials at the Public Reference Room maintained by the SEC at Room 1580, 100 F Street N.E., Washington, D.C. 20549. You may call the SEC at 1-800-SEC-0330 for more information on the operation of the public reference room. The SEC maintains an Internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. Copies of our annual, quarterly and special reports, Audit Committee Charter, Compensation Committee Charter, Nominating/Corporate Governance Committee Charter and the Company s Corporate Governance Guidelines are available on our web site at http://www.gbrx.com or free of charge by contacting our Investor Relations Department at The Greenbrier Companies, Inc., One Centerpointe Drive, Suite 200, Lake Oswego, Oregon 97035.

Item 1a. RISK FACTORS

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

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

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

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

A prolonged decline in demand for our barge products would have an adverse effect on our financial condition and results of operations.

The April 2010 catastrophic explosion of the Deepwater Horizon oil drilling platform and the related oil spill in the U.S. Gulf of Mexico coupled with currently weak economic conditions may continue to have an adverse effect on our results of operations by reducing demand for our marine barges. These could reduce our revenues and margins, limit our ability to grow, increase pricing pressure on our products, and otherwise adversely affect our financial results.

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

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

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

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

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

During 2008 and 2009, the credit markets and the financial services industry experienced a period of unprecedented turmoil, resulting in tighter availability of credit on more restrictive terms. Such factors could have a negative impact on our liquidity and financial condition if our ability to borrow money to finance operations, obtain credit from trade creditors, offer leasing products to our customers or sell railcar assets to other lessors were to be impaired. In addition, if economic conditions remain depressed it could also adversely impact our customers ability to purchase or pay for products from us or our suppliers ability to provide us with product, either of which could negatively impact our business and results of operations.

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

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

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

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

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

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

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

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

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

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

We are required to perform an annual impairment review which could result in impairment write-downs to goodwill. If the carrying value of the asset is in excess of the fair value, the carrying value will be adjusted to fair value through an impairment charge. As of August 31, 2010, we had $137.1 million of goodwill in our Wheel Services, Refurbishment & Parts segment. Our stock price can impact the results of the impairment review of goodwill. Future write-downs of goodwill could affect certain of the financial covenants under our credit agreements and could restrict our financial flexibility. In the event of goodwill impairment, we may have to test other intangible assets for impairment.

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

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

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

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

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

Our operations outside of the United States are subject to the risks associated with cross-border business transactions and activities. Political, legal, trade or economic changes or instability could limit or curtail our foreign business activities and operations. Some foreign countries in which we operate have regulatory authorities that regulate railroad safety, railcar design and railcar component part design, performance and manufacturing. If

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we fail to obtain and maintain certifications of our railcars and railcar parts within the various foreign countries where we operate, we may be unable to market and sell our railcars in those countries. In addition, unexpected changes in regulatory requirements, tariffs and other trade barriers, more stringent rules relating to labor or the environment, adverse tax consequences, currency and price exchange controls could limit operations and make the manufacture and distribution of our products difficult. The uncertainty of the legal environment or geo-political risks in these and other areas could limit our ability to enforce our rights effectively. Any international expansion or acquisition that we undertake could amplify these risks related to operating outside of the United States.

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

We are a party to collective bargaining agreements with various labor unions at some of our operations. Disputes with regard to the terms of these agreements or our potential inability to negotiate acceptable contracts with these unions in the future could result in, among other things, strikes, work stoppages or other slowdowns by the affected workers. We cannot be assured that our relations with our workforce will remain positive or that union organizers will not be successful in future attempts to organize at some of our other facilities. If our workers were to engage in a strike, work stoppage or other slowdown, or other employees were to become unionized or the terms and conditions in future labor agreements were renegotiated, we could experience a significant disruption of our operations and higher ongoing labor costs. In addition, we could face higher labor costs in the future as a result of severance or other charges associated with lay-offs, shutdowns or reductions in the size and scope of our operations or due to the difficulties of restarting our operations that have been temporarily shuttered.

Shortages of skilled labor could adversely impact our operations.

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

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

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

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

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

our agreement for any reason, including labor stoppages or strikes or a sale of facilities owned by the third party, our operations could be adversely effected.

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

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

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

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

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

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

Environmental studies have been conducted on our owned and leased properties that indicate additional investigation and some remediation on certain properties may be necessary. Our Portland, Oregon manufacturing facility is located adjacent to the Willamette River. The United States Environmental Protection Agency (EPA) has classified portions of the river bed, including the portion fronting our Portland, Oregon facility, as a federal National Priority List or Superfund site due to sediment contamination (the Portland Harbor Site). We and more than 130 other parties have received a General Notice of potential liability from the EPA relating to the Portland Harbor Site. The letter advised that we may be liable for the costs of investigation and remediation (which liability may be joint and several with other potentially responsible parties) as well as for natural resource damages resulting from releases of hazardous substances to the site. At this time, ten private and public entities, including us, have signed an Administrative Order on Consent (AOC) to perform a remedial investigation/feasibility study (RI/FS) of the Portland Harbor Site under EPA oversight, and several additional entities have not signed such consent, but are nevertheless contributing money to the effort. A draft of the RI study was submitted on October 27, 2009. The Feasibility Study is being developed and is expected to be submitted in the third calendar quarter of 2011. Eighty-two parties have entered into a non-judicial mediation process to try to allocate costs associated with the Portland Harbor site. Approximately 110 additional parties have signed tolling agreements related to such allocations. On April 23, 2009, we and the other AOC signatories filed suit against 69 other parties due to a possible limitations period for some such claims; *Arkema Inc. et al v. A & C Foundry Products, Inc.et al,* US District Court, District of Oregon, Case #3:09-cv-453-PK. All but 12 of these parties elected to sign tolling agreements and be dismissed without prejudice, and the case has now been stayed by the court, pending completion of the RI/FS. In addition, we have entered into a Voluntary Clean-Up Agreement with the Oregon Department of Environmental Quality in which we agreed to conduct an investigation of whether, and to what extent, past or present operations at the Portland property may have released hazardous substances to the environment. We are also conducting groundwater remediation relating to a historical spill on the property which antedates its ownership.

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

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

We continue to work on the design and implementation of ERP and related systems that support substantially all of our operating and financial functions. We could experience problems in connection with such implementations, including compatibility issues, training requirements, higher than expected implementation costs and other integration challenges and delays. A significant implementation problem, if encountered, could negatively impact our business by disrupting our operations. Additionally, a significant problem with the implementation, integration with other systems or ongoing management of ERP and related systems could have an adverse effect on our ability to generate and interpret accurate management and financial reports and other information on a timely basis, which could have a material adverse effect on our financial reporting system and internal controls and adversely affect our ability to manage our business.

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

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

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

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

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

In recent years, we have entered into several joint venture agreements and other alliances with other companies to increase our sourcing alternatives, reduce costs, and to produce new railcars for the North American marketplace. We may seek to expand our relationships or enter into new agreements with other companies. If our joint venture alliance partners are unable to fulfill their contractual obligations or if these relationships are otherwise not successful in the future, our manufacturing costs could increase, we could encounter production disruptions, growth opportunities could fail to materialize, or we could be required to fund such joint venture alliances in amounts significantly greater than initially anticipated, any of which could adversely affect our business.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We have in the past and may in the future take tax positions that the Internal Revenue Service (IRS) may contest. Effective with fiscal year 2011, we are required by a new IRS regulation to disclose particular tax positions, taken after the effective date, to the IRS as part of our tax returns for that year and future years.

Item 1b. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

We operate at the following primary facilities as of October 31, 2010:

Description	Location	Status	
Manufacturing Segment			
Railcar manufacturing:	Portland, Oregon	Owned	
	2 locations in Sahagun, Mexico	Leased	1 location
		Owned	1 location
	Frontera, Mexico	Leased	
	Swidnica, Poland	Owned	
Marine manufacturing:	Portland, Oregon	Owned	
Wheel Services, Refurbishment & Parts Segment			
Railcar repair:	19 locations in the United States,	Leased	10 locations
	2 locations in Mexico and	Owned	6 locations
	1 location in Canada	Customer premises	6 locations
Wheel reconditioning:	10 locations in the United States and	Leased	7 locations
	2 locations in Mexico	Owned	5 locations
Parts fabrication and reconditioning:	4 locations in the United States	Leased	2 locations
		Owned	2 locations
Administrative offices:	2 locations in the United States	Leased	
Leasing & Services Segment			
Corporate offices, railcar marketing and leasing activities:	Lake Oswego, Oregon	Leased	

We believe that our facilities are in good condition and that the facilities, together with anticipated capital improvements and additions, are adequate to meet our operating needs for the foreseeable future. We continually evaluate the need for expansion and upgrading of our Manufacturing and Wheel Services, Refurbishment & Parts facilities in order to remain competitive and to take advantage of market opportunities.

Item 3. LEGAL PROCEEDINGS

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:

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

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

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remove all 201 freight cars from service, and a formal claim has been made against the Company. Legal, technical and commercial evaluations are on-going to determine what obligations the Company might have, if any, to remedy the alleged defects.

Management intends to vigorously defend its position in each of the open foregoing cases and believes that any ultimate liability resulting from the above litigation will not materially affect the Company s Consolidated Financial Statements.

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

Item 4. REMOVED AND RESERVED

PART II

Item 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock has been traded on the New York Stock Exchange under the symbol GBX since July 14, 1994. There were approximately 489 holders of record of common stock as of October 31, 2010. The following table shows the reported high and low sales prices of our common stock on the New York Stock Exchange for the fiscal periods indicated.

	High	Low
2010		
Fourth quarter	$ 15.45	$ 9.10
Third quarter	$ 18.00	$ 9.23
Second quarter	$ 12.32	$ 7.42
First quarter	$ 14.05	$ 8.51
2009		
Fourth quarter	$ 14.67	$ 5.40
Third quarter	$ 9.54	$ 1.86
Second quarter	$ 8.55	$ 3.76
First quarter	$ 22.45	$ 4.58

Quarterly dividends were suspended as of the third quarter 2009. A quarterly dividend of $.04 per share was declared during the second quarter of 2009. Quarterly dividends of $.08 per share were declared each quarter from the fourth quarter of 2005 through the first quarter of 2009. There is no assurance as to the payment of future dividends as they are dependent upon future earnings, capital requirements and our financial condition.

Performance Graph

The following graph demonstrates a comparison of cumulative total returns for the Company s Common Stock, the Dow Jones US Industrial Transportation Index and the Standard & Poor s (S&P) 500 Index. The graph assumes an investment of $100 on August 31, 2005 in each of the Company s Common Stock and the stocks comprising the indices. Each of the indices assumes that all dividends were reinvested and that the investment was maintained to and including August 31, 2010, the end of the Company s 2010 year.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among The Greenbrier Companies, Inc., The S&P 500 Index
And The Dow Jones US Industrial Transportation Index

* $100 invested on 8/31/05 in stock or index, including reinvestment of dividends. Fiscal year ending August 31.

Equity Compensation Plan Information is hereby incorporated by reference to the Equity Compensation Plan Information table in Registrant s definitive Proxy Statement to be filed pursuant to Regulation 14A, which Proxy Statement is anticipated to be filed with the Securities and Exchange Commission within 120 days after the end of the Registrant s year ended August 31, 2010.

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Item 6. SELECTED FINANCIAL DATA[1]

	YEARS ENDED AUGUST 31,				
(In thousands, except per share data)	**2010**	**2009**	**2008**	**2007**	**2006**
Statement of Operations Data					
Revenue:					
Manufacturing	$ 295,566	$ 462,496	$ 665,093	$ 738,424	$ 748,818
Wheel Services, Refurbishment & Parts	390,061	476,164	527,466	381,670	102,471
Leasing & Services	78,823	79,465	97,520	103,734	102,534
	$ 764,450	$ 1,018,125	$ 1,290,079	$ 1,223,828	$ 953,823
Earnings (loss) from continuing operations	$ 4,277	$ (56,391)	$ 17,383	$ 20,007	$ 38,976
Earnings from discontinued operations					62(3)
Net earnings (loss) attributable to Greenbrier	$ 4,277(2)	$ (56,391)(2)	$ 17,383(2)	$ 20,007(2)	$ 39,038
Basic earnings (loss) per common share attributable to Greenbrier:					
Continuing operations	$ 0.23	$ (3.35)	$ 1.06	$ 1.25	$ 2.48
Net earnings (loss)	$ 0.23	$ (3.35)	$ 1.06	$ 1.25	$ 2.48
Diluted earnings (loss) per common share attributable to Greenbrier:					
Continuing operations	$ 0.21	$ (3.35)	$ 1.06	$ 1.24	$ 2.45
Net earnings (loss)	$ 0.21	$ (3.35)	$ 1.06	$ 1.24	$ 2.45
Weighted average common shares outstanding:					
Basic	18,585	16,815	16,395	16,056	15,751
Diluted	20,213	16,815	16,417	16,094	15,937
Cash dividends paid per share	$ .00	$ .12	$ .32	$ .32	$ .32
Balance Sheet Data					
Total assets	$ 1,072,888	$ 1,048,291	$ 1,256,960	$ 1,072,749	$ 877,314
Revolving notes and notes payable	$ 501,330	$ 541,190	$ 580,954	$ 476,071	$ 357,040
Total equity	$ 297,407	$ 232,450	$ 281,838	$ 263,588	$ 236,136
Other Operating Data					
New railcar units delivered	2,500	3,700	7,300	8,600	11,400
New railcar units backlog	5,300	13,400(4)	16,200(4)	12,100(4)	14,700(4)
Lease fleet:					
Units managed	225,223	217,403	137,697	136,558	135,320
Units owned	8,156	8,713	8,631	8,663	9,311
Cash Flow Data					
Capital expenditures:					
Manufacturing	$ 8,715	$ 9,109	$ 24,113	$ 20,361	$ 15,121
Wheel Services, Refurbishment & Parts	12,215	6,599	7,651	5,009	2,906
Leasing & Services	18,059	23,139	45,880	111,924	122,542

	$	38,989	$	38,847	$	77,644	$	137,294	$	140,569
Proceeds from sale of equipment	$	22,978	$	15,555	$	14,598	$	119,695	$	28,863
Depreciation and amortization:										
Manufacturing	$	11,061	$	11,471	$	11,267	$	10,762	$	10,258
Wheel Services, Refurbishment & Parts		11,435		11,885		10,338		9,042		2,360
Leasing & Services		15,015		14,313		13,481		13,022		12,635
	$	37,511	$	37,669	$	35,086	$	32,826	$	25,253

(1) All years retrospectively adjusted for the effects of Accounting Standards Codification (ASC) 470 20 *Debt Debt with Conversion and Other Options. See Note 2 in the Consolidated Financial Statements.*

(2) 2010 includes income of $11.9 million net of tax for a special item related to the release of the liability associated with the 2008 de-consolidation of our former Canadian subsidiary. 2009 includes special charges net of tax of $51.0 million in goodwill impairment. 2008 includes special charges net of tax of $2.3 million related to the closure of our Canadian subsidiary. 2007 includes special charges net of tax of $13.7 million related to the impairment and closure of our Canadian subsidiary.

(3) Consists of a reduction in loss contingency associated with the settlement of litigation relating to the logistics business that was discontinued in 1998.

(4) 2009, 2008, 2007 and 2006 backlog include 8,500 units, 8,500 units, 3,500 units and 7,250 units subject to fulfillment of certain competitive and contractual conditions. 2006 through 2009 backlog all include 400 units subject to certain cancellation provisions.

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Summary

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

The rail and marine industries are cyclical in nature. We are starting to see signs of a recovery in the freight car markets in which we operate. Demand for our marine barge products remains soft. Customer orders may be subject to cancellations and contain terms and conditions customary in the industry. Until recently, little variation has been experienced between the quantity ordered and the quantity actually delivered. Economic conditions have caused some customers to seek to renegotiate, delay or cancel orders. Our railcar and marine backlogs are not necessarily indicative of future results of operations.

In December 2009 we modified our long-term new railcar contract with General Electric Railcar Services Corporation (GE). Under the terms of the modified contract, we will deliver up to 6,000 railcars with the first 3,800 tank cars and hopper cars expected to be built by July 2013. The purchase price is subject to adjustments for changes in the material costs. The remaining 2,200 tank and hopper cars are subject to fulfillment of certain contractual conditions by both parties in their sole discretion and would occur over the five-year period following the completion of the 3,800 units. In addition, we have retained the right of first refusal, subject to certain qualifications, to manufacture all new railcar builds for GE through December 2018. We have agreed to share in an equitable manner with Greenbrier-GIMSA LLC, of which we own 50%, the benefits (net of any expenses) received from GE as a result of the amended agreement.

Multi-year supply agreements are a part of rail industry practice. Our total manufacturing backlog of railcars as of August 31, 2010 was approximately 5,300 units with an estimated value of $420 million compared to 13,400 units valued at $1.16 billion as of August 31, 2009. The August 31, 2010 backlog did not include approximately 300 units valued at $20 million scheduled for production in 2011. These 300 units are contractually committed to third party lessees and are expected to be placed into our lease fleet. Based on current production plans, approximately 4,100 units in the August 31, 2010 backlog are scheduled for delivery in fiscal year 2011. The balance of the production is scheduled for delivery through fiscal year 2013. The August 31, 2010 backlog does not include the contingent production of 2,200 units for GE. 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. Subsequent to year end we received new railcar orders for 3,200 units with an aggregate value of approximately $200 million. These units are scheduled for delivery in fiscal year 2011.

Marine backlog was approximately $10 million as of August 31, 2010 with production scheduled through fiscal year 2011. During the quarter ended August 31, 2010, we removed approximately $60 million of marine vessels from backlog, due to the current likelihood that these vessels will not be produced and sold as a result of current economic conditions. Marine backlog was approximately $126 million as of August 31, 2009.

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

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

On May 12, 2010, we issued 4,000,000 shares of our common stock under the shelf registration statement at a price of $12.50 per share, less underwriting commissions, discounts and expenses. On May 19, 2010, an additional 500,000 shares were issued under the shelf registration statement pursuant to the 30-day over-allotment option exercised by the underwriters. Management has broad discretion to allocate the net proceeds of $52.7 million from the offering for such purposes as working capital, capital expenditures, repayment or repurchase of a portion of our indebtedness or acquisitions of, or investment in, complementary businesses and products.

On March 13, 2008, our then subsidiary TrentonWorks Ltd. (TrentonWorks) filed for bankruptcy with the Office of the Superintendent of Bankruptcy Canada whereby the assets of TrentonWorks were administered and liquidated by an appointed trustee. In the fourth quarter of fiscal 2010, the bankruptcy was resolved upon liquidation of substantially all remaining assets of TrentonWorks by the bankruptcy trustee. The resolution of the bankruptcy and associated release of obligations resulted in the recognition of $11.9 million in income in 2010, consisting of the reversal of the $15.3 million liability, net of a $3.4 million other comprehensive loss. This income was recorded in Special items on the Consolidated Statement of Operations.

In April 2010, WLR Greenbrier Rail Inc. (WLR-GBX) was formed and acquired a lease fleet of nearly 4,000 railcars valued at approximately $230.0 million. WLR-GBX is wholly owned by affiliates of WL Ross & Co., LLC. We paid a $6.1 million contract placement fee to WLR-GBX for the right to perform certain management and advisory services and in exchange will receive management and other fee income and incentive compensation tied to the performance of WLR-GBX. The contract placement fee is accounted for under the equity method and is recorded in Intangibles and other assets on the Consolidated Balance Sheet.

A $3.2 million gain on extinguishment of debt was recorded on the early retirement of $32.3 million of convertible senior notes in fiscal 2010. This gain was partially offset by $0.5 million for the proportionate write-off of associated loan fees.

We delivered 500 railcar units during fiscal year 2009 for which we have an obligation to guarantee the purchaser minimum earnings. The obligation expires December 31, 2011. The maximum potential obligation totals $13.1 million and in certain defined instances the obligation may be reduced due to early termination. The purchaser has agreed to utilize the railcars on a preferential basis, and we are entitled to re-market the railcar units when they are not being utilized by the purchaser during the obligation period. Any earnings generated from the railcar units will offset the obligation and be recognized as revenue and margin in future periods. As a result of re-marketing the railcars, we recorded revenue of $2.8 million for the year ended August 31, 2010. Upon delivery of the railcar units, the entire purchase price was recorded as revenue and paid in full. The minimum earnings due to the purchaser are considered a reduction of revenue and were recorded as deferred revenue. As of August 31, 2010, $9.1 million of the potential obligation remained in deferred revenue.

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Results of Operations

Overview

Total revenue was $0.8 billion, $1.0 billion and $1.3 billion for the years ended August 31, 2010, 2009 and 2008. Net earnings attributable to Greenbrier for the year ended August 31, 2010 were $4.3 million or $0.21 per diluted common share which included income of $11.9 million in special items net of tax or $0.59 per diluted common share. Net loss attributable to Greenbrier for the year ended August 31, 2009 was $56.4 million or $3.35 per diluted common share which included $51.0 million of special charges net of tax or $3.03 per diluted common share. Net earnings attributable to Greenbrier for the year ended August 31, 2008 were $17.4 million or $1.06 per diluted common share which included $2.3 million of special charges net of tax or $.14 per diluted common share.

Manufacturing Segment

Manufacturing revenue includes new railcar and marine production. New railcar delivery and backlog information disclosed herein includes all facilities.

Manufacturing revenue was $295.6 million, $462.5 million and $665.1 million for the years ended August 31, 2010, 2009 and 2008. Railcar deliveries, which are the primary source of manufacturing revenue, were approximately 2,500 units in 2010 compared to 3,700 units in 2009 and 7,300 units in 2008. Manufacturing revenue decreased $166.9 million, or 36.1%, from 2009 to 2010 primarily due to a decline in marine barge production, lower railcar deliveries and a change in railcar product mix with lower per unit sales prices. 2009 revenue was reduced by an $11.6 million obligation of guaranteed minimum earnings under a certain contract. Manufacturing revenue decreased $202.6 million, or 30.0%, from 2008 to 2009 primarily due to lower railcar deliveries and the $11.6 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.

Manufacturing margin as a percentage of revenue was 9.2% in 2010 compared to 0.8% in 2009. The increase was primarily the result of a more favorable product mix and improved production efficiencies at our Mexican joint venture. The current year was positively impacted by the re-marketing of railcars that were subject to guaranteed minimum earnings under a certain contract in the prior year. Manufacturing margin as a percentage of revenue was 0.8% in 2009 compared to 1.7% in 2008. The decrease was primarily the result of the $11.6 million obligation of guaranteed minimum earnings under a certain contract, higher material costs and scrap surcharge expense, severance expense of $2.4 million and less absorption of overhead due to lower production levels and plant utilization. These were partially offset by improved marine margins as a result of labor efficiencies and a continuous run of similar barge types.

Wheel Services, Refurbishment & Parts Segment

Wheel Services, Refurbishment & Parts revenue was $390.1 million, $476.2 million and $527.5 million for the years ended August 31, 2010, 2009 and 2008. The $86.1 million decrease in revenue from 2009 to 2010 was primarily due to lower sales volumes of wheels and reduced volumes of railcar repair and refurbishment work. This was offset slightly by improvement in the price for scrap metal. The $51.3 million decrease in revenue from 2008 to 2009 was primarily due to lower wheel and parts volumes, reduced volumes of railcar repair and refurbishment work, a sharp decrease in scrap metal pricing and lower wheelset pricing.

Wheel Services, Refurbishment & Parts margin as a percentage of revenue was 11.7% for both 2010 and 2009, and 19.2% for 2008. The decrease in fiscal 2009 margins was primarily due to lower net scrap pricing and less favorable mix of repair and refurbishment work.

Leasing & Services Segment

Leasing & Services revenue was $78.8 million, $79.5 million and $97.5 million for the years ended August 31, 2010, 2009 and 2008. The $0.7 million decrease in revenue from 2009 to 2010 was primarily the result of lower rent generated from the lease fleet principally offset by higher gains on sale of assets from the lease fleet. The $18.0 million decrease in revenue from 2008 to 2009 was primarily the result of a $6.8 million decrease in gains on disposition of assets from the lease fleet, lower lease fleet utilization, downward pressures on lease renewal rates, lower earnings on certain car hire utilization leases and lower maintenance revenues.

During 2010, we realized $6.5 million in gains on sale for the disposition of leased equipment compared to $1.2 million in 2009 and $8.0 million in 2008. Assets from our lease fleet are periodically sold in the normal course of business in order to take advantage of market conditions, manage risk and maintain liquidity.

Leasing & Services margin as a percentage of revenue was 47.5% in 2010 compared to 42.2% in 2009 and 51.0% in 2008. The increase in 2010 was primarily the result of increased gains on sale of assets from the lease fleet which has no associated cost of revenue. The decrease from 2008 to 2009 was primarily the result of decreases in gains on disposition of assets from the 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 percentage of owned units on lease as of August 31, 2010 was 94.4% compared to 88.3% at August 31, 2009.

Other costs

Selling and administrative expense was $69.9 million, $65.7 million and $85.1 million for the years ended August 31, 2010, 2009 and 2008. The $4.2 million increase from 2009 to 2010 is primarily due to higher depreciation expense associated with our on-going ERP improvement projects, higher consulting and travel expenses and increased costs at our Mexican joint venture due to higher activity levels. These were partially offset by lower employee costs. The $19.4 million decrease from 2008 to 2009 is primarily due to lower employee related costs, including cost reduction efforts and reversal of $2.3 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 expense was $43.1 million and $45.9 million for the years ended August 31, 2010 and 2009.

	Years Ended August 31,		**Increase**
(In thousands)	**2010**	**2009**	**(Decrease)**
Interest and foreign exchange:			
Interest and other expense	$ 36,214	$ 35,669	$ 545
Accretion of term loan debt discount	4,377	1,117	3,260
Accretion of convertible debt discount	3,771	3,831	(60)
Gain on debt extinguishment	(3,218)		(3,218)
Write-off of fees and debt discount on debt prepayment	1,148	1,300	(152)
Foreign exchange loss	842	3,995	(3,153)
	$ 43,134	$ 45,912	$ (2,778)

The increase in term loan debt discount accretion, associated with the term loan issued in June 2009, was due to a full year of accretion in 2010 compared to only a partial year in 2009.

Interest and foreign exchange expense was $45.9 million and $44.3 million for the years ended August 31, 2009 and 2008.

(In thousands)	Years Ended August 31, 2009	Years Ended August 31, 2008	Increase (Decrease)
Interest and foreign exchange:			
Interest and other expense	$ 35,669	$ 38,612	$ (2,943)
Accretion of term loan debt discount	1,117		1,117
Accretion of convertible debt discount	3,831	3,550	281
Write-off of fees and debt discount on debt prepayment	1,300		1,300
Foreign exchange loss	3,995	2,158	1,837
	$ 45,912	$ 44,320	$ 1,592

Interest and other expense decreased primarily due to favorable interest rates on our variable rate debt and lower debt levels. The debt discount accretion expense was $1.1 million associated with the term loan issued in June 2009.

In April 2007, the Company s board of directors approved the permanent closure of the Company s then Canadian railcar manufacturing subsidiary, TrentonWorks. As a result of the facility closure decision charges of $2.3 million were recorded as special items during 2008. In March 2008, TrentonWorks filed for bankruptcy. In the fourth quarter of 2010, the bankruptcy was resolved upon liquidation of substantially all remaining assets. The resolution of the bankruptcy resulted in income of $11.9 million which was recorded in Special items.

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

Income Tax

In 2010 we recorded a tax benefit of $1.0 million on $9.0 million of earnings for the year. The current year included income of $11.9 million from a Special item associated with the resolution of the bankruptcy of our then Canadian railcar manufacturing subsidiary, TrentonWorks which was not taxable. In addition, an income tax liability was not recorded on the noncontrolling interest earnings of $4.1 million from a consolidated subsidiary that is a flow through entity for tax purposes. Earnings from flow through entities are only taxed at the owner s level. Excluding these items the effective tax rate would have been 13.8%. Our effective tax rate was 22.8% and 56.3% for the years ended August 31, 2009 and 2008. In 2009 a goodwill impairment charge for which a tax benefit was recorded at 8%, as a portion of the impairment charge was not deductible for tax purposes. In addition, 2009 included a reversal of $1.4 million of liabilities for uncertain tax positions for which we are no longer subject to examination by the tax authorities, a tax benefit of $2.5 million related to the deemed liquidation of our German operation for U.S. tax purposes and a tax benefit of $4.3 million related to the reversal of a deferred tax liability associated with a foreign subsidiary. Excluding these items the effective tax rate would have been 21.5%. Tax expense for 2008 included a $3.9 million charge associated with deferred tax assets and operating losses without tax benefit incurred by our then Canadian subsidiary during its closure process. 2008 also included a $1.3 million increase in valuation allowances related to net operating losses generated in Poland and Mexico. In addition, a $1.9 million tax benefit resulted from reversing income tax reserves associated with certain tax positions taken in prior years. Excluding these items the effective tax rate would have been 54.3%.

The fluctuations in the effective tax rate are also due to the geographical mix of pre-tax earnings and losses, minimum tax requirements in certain local jurisdictions and operating losses for certain operations with no related accrual of tax benefit.

Earnings (Loss) from Unconsolidated Affiliates

Earnings (loss) from unconsolidated affiliates were a loss of $1.6 million in 2010, a loss of $0.6 million in 2009 and earnings of $0.9 million in 2008. 2010 includes losses from our castings joint venture and from WLR-GBX. The WLR-GBX loss was primarily the result of a mark to market on an interest rate swap, which should no longer have a significant impact on future results. 2009 and 2008 consist entirely of results from our castings joint venture.

Noncontrolling Interest

Noncontrolling interest includes earnings of $4.1 million, loss of $1.5 million and loss of $3.2 million for the years ended August 31, 2010, 2009 and 2008 and primarily represents our joint venture partner s share in the earnings (losses) of our Mexican railcar manufacturing joint venture that began production in 2007.

Liquidity and Capital Resources

We have been financed through cash generated from operations, borrowings and stock issuance. At August 31, 2010 cash and cash equivalents was $98.9 million, an increase of $22.7 million from $76.2 million at the prior year end.

Cash provided by operating activities for the years ended August 31, 2010, 2009 and 2008 was $42.6 million, $120.5 million and $32.1 million. The decrease in 2010 was primarily due to change in working capital needs based on current activity levels. The change from 2008 to 2009 was primarily due to lower working capital needs as a result of decreased levels of operation.

Cash used in investing activities for the year ended August 31, 2010 was $24.2 million compared to $23.0 million in 2009 and $152.2 million in 2008. 2010 and 2009 cash utilization was primarily due to capital expenditures during the year. Cash utilization in 2008 was primarily due to acquisitions in the Wheel Services, Refurbishment & Parts segment and capital expenditures for the year.

Capital expenditures totaled $39.0 million, $38.8 million and $77.6 million for the years ended August 31, 2010, 2009 and 2008. Of these capital expenditures, approximately $18.1 million, $23.1 million and $45.9 million for the years ended August 31, 2010, 2009 and 2008 were attributable to Leasing & Services operations. Leasing & Services capital expenditures for 2011, net of proceeds from sales of equipment, are expected to be approximately $40.0 million. We regularly sell assets from our lease fleet, some of which may have been purchased within the current year and included in capital expenditures. Proceeds from the sale of equipment were approximately $23.0 million, $15.6 million and $14.6 million for the years ended August 31, 2010, 2009 and 2008.

Approximately $8.7 million, $9.1 million and $24.1 million of capital expenditures for the years ended August 31, 2010, 2009 and 2008 were attributable to Manufacturing operations. Capital expenditures for Manufacturing are expected to be approximately $16.0 million in 2011 and primarily relate to enhancements to existing manufacturing facilities and ERP implementation.

Wheel Services, Refurbishment & Parts capital expenditures for the years ended August 31, 2010, 2009 and 2008 were $12.2 million, $6.6 million and $7.6 million and are expected to be approximately $28.0 million in 2011 for the opening of a new wheel services facility to replace one previously destroyed by fire, maintenance and improvement of existing facilities and ERP implementation.

Cash provided by financing activities was $4.6 million for the year ended August 31, 2010 compared to cash used in financing activities of $24.5 million for the year ended August 31 2009 and cash provided by financing activities of $103.5 million in 2008. During 2010, we received $52.7 million in net proceeds from an equity offering and

$2.0 million in net proceeds from term loan borrowings. We repaid $11.9 million in net revolving credit lines and $38.3 million in term loans and convertible notes. During 2009, we repaid $81.3 million in net revolving credit lines and $16.4 million in term debt and paid dividends of $2.0 million. We received $69.8 million in net proceeds from term loan borrowings. During 2008, we received $49.6 million in net proceeds from term loan borrowings and $55.5 million in net proceeds under revolving credit lines. In 2008, we repaid $6.9 million in term debt and paid dividends of $5.3 million.

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All amounts originating in foreign currency have been translated at the August 31, 2010 exchange rate for the following discussion. As of August 31, 2010 senior secured credit facilities, consisting of two components, aggregated $111.1 million. A $100.0 million revolving line of credit, maturing November 2011, is secured by substantially all of our assets in the United States not otherwise pledged as security for term loans. The facility is available to provide working capital and interim financing of equipment, principally for the United States and Mexican operations. Advances under this revolving credit facility bear interest at variable rates that depend on the type of borrowing and the defined ratio of debt to total capitalization. In addition, current lines of credit totaling $11.1 million secured by substantially all of our European assets, with various variable rates, are available for working capital needs of the European manufacturing operation. European credit facilities are continually being renewed. Currently these European credit facilities have maturities that range from April 2011 through June 2011. In September 2010, our Mexican joint venture renewed its line of credit for up to $10.0 million secured by certain of the joint venture s accounts receivable and inventory. Advances under this facility bear interest at LIBOR plus 2.5% and are due 180 days after the date of borrowing. Currently the Mexican joint venture can borrow on this facility through August 2011. As of August 31, 2010 outstanding borrowings under our facilities consists of $3.6 million in letters of credit outstanding under the North American credit facility and $2.6 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 plus rent) coverage.

Available borrowings under our credit facilities are generally based on defined levels of inventory, receivables, property, plant and equipment and leased equipment, as well as total debt to consolidated capitalization and interest coverage ratios which, as of August 31, 2010 would allow for maximum additional borrowing of $106.2 million. The Company has an aggregate of $104.9 million available to draw down under the committed credit facilities as of August 31, 2010. This amount consists of $96.4 million available on the North American credit facility and $8.5 million on the European credit facilities.

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

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

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

In addition to the third party financing, Greenbrier has provided financing for a portion of the working capital needs of our Mexican joint venture through a secured, interest bearing loan. The balance of the loan was $19.0 million as of

August 31, 2010.

In accordance with customary business practices in Europe, we have $9.1 million in bank and third party performance and warranty guarantee facilities, all of which have been utilized as of August 31, 2010. To date no amounts have been drawn under these performance and warranty guarantees.

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

We have $0.5 million in long-term advances to an unconsolidated affiliate which are secured by accounts receivable and inventory. As of August 31, 2010, this same unconsolidated affiliate had $0.7 million in third party debt for which we have guaranteed 33% or approximately $0.2 million. The facility has been idled and expects to restart production when demand returns. We, along with our partners, have made additional equity investments during fiscal year 2010, our share of which was $0.9 million. We made an additional investment of $0.2 million during the first quarter of 2011. Additional investments may be required.

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

The following table shows our estimated future contractual cash obligations as of August 31, 2010:

		Years Ending August 31,					
(In thousands)	**Total**	**2011**	**2012**	**2013**	**2014**	**2015**	**Thereafter**
Notes payable	$ 514,919	$ 4,565	$ 76,320	$ 72,219	$ 84,710	$ 276,933	$ 172
Interest	122,017	27,840	27,606	24,732	21,835	20,004	
Revolving notes	2,630	2,630					
Purchase commitments	106,030	20,745	20,745	16,135	16,135	16,135	16,135
Operating leases	17,062	6,781	3,679	2,205	1,488	1,318	1,591
Railcar leases	10,419	6,711	3,708				
Other	1,402	574	276	343	203	2	4
	$ 774,479	$ 69,846	$ 132,334	$ 115,634	$ 124,371	$ 314,392	$ 17,902

Due to uncertainty with respect to the timing of future cash flows associated with our unrecognized tax benefits at August 31, 2010, we are unable to estimate the period of cash settlement with the respective taxing authority. Therefore, approximately $3.5 million in uncertain tax positions have been excluded from the contractual table above. See Note 22 to the Consolidated Financial Statements for a discussion on income taxes.

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.

Critical Accounting Policies and 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.

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

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

Warranty accruals - Warranty costs to cover a defined warranty period are estimated and charged to operations. The estimated warranty cost is based on historical warranty claims for each particular product type. For new product types without a warranty history, preliminary estimates are based on historical information for similar product types.

These estimates are inherently uncertain as they are based on historical data for existing products and judgment for new products. If warranty claims are made in the current period for issues that have not historically been the subject of warranty claims and were not taken into consideration in establishing the accrual or if claims for issues already considered in establishing the accrual exceed expectations, warranty expense may exceed the accrual for that particular product. Conversely, there is the possibility that claims may be lower than estimates. The warranty accrual is periodically reviewed and updated based on warranty trends. However, as we cannot predict future claims, the potential exists for the difference in any one reporting period to be material.

Revenue recognition - Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable and collectibility is reasonably assured.

Railcars are generally manufactured, repaired or refurbished under firm orders from third parties. Revenue is recognized when 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. Certain long lived assets were tested for impairment during the quarter ended May 31, 2010. Forecasted undiscounted future cash flows exceeded the carrying amount of the assets indicating that the assets were not impaired.

Goodwill and acquired intangible assets - The Company periodically acquires businesses in purchase transactions in which the allocation of the purchase price may result in the recognition of goodwill and other intangible assets.

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The determination of the value of such intangible assets requires management to make estimates and assumptions. These estimates affect the amount of future period amortization and possible impairment charges.

We perform a goodwill impairment test annually during the third quarter. Goodwill is also tested more frequently if changes in circumstances or the occurrence of events indicates that a potential impairment exists. The provisions of ASC 350, *Intangibles Goodwill and Other*, require that we perform a two-step impairment test on goodwill. In the first step, we compare the fair value of each reporting unit with its carrying value. We determine the fair value of our reporting units based on a weighting of income and market approaches. Under the income approach, we calculate the fair value of a reporting unit based on the present value of estimated future cash flows. Under the market approach, we estimate the fair value based on observed market multiples for comparable businesses. The second step of the goodwill impairment test is required only in situations where the carrying value of the reporting unit exceeds its fair value as determined in the first step. In the second step we would compare the implied fair value of goodwill to its carrying value. The implied fair value of goodwill is determined by allocating the fair value of a reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the reporting unit. The excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. An impairment loss is recorded to the extent that the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill.

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.

New Accounting Pronouncements

See Note 2 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Item 7a. 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 August 31, 2010, $37.8 million of forecast sales in Europe were hedged by foreign exchange contracts. Because of the variety of currencies in which purchases and sales are transacted and the interaction between currency rates, it is not possible to predict the impact a movement in a single foreign currency exchange rate would have on future operating results. We believe the exposure to foreign exchange risk is not material.

In addition to exposure to transaction gains or losses, we are also exposed to foreign currency exchange risk related to the net asset position of our foreign subsidiaries. At August 31, 2010, net assets of foreign subsidiaries aggregated $25.1 million and a 10% strengthening of the United States dollar relative to the foreign currencies would result in a decrease in equity of $2.5 million, 0.9% of total equity Greenbrier. This calculation assumes that each exchange rate would change in the same direction relative to the United States dollar.

Interest Rate Risk

We have managed a portion of our variable rate debt with interest rate swap agreements, effectively converting $45.6 million of variable rate debt to fixed rate debt. As a result, we are exposed to interest rate risk relating to our revolving debt and a portion of term debt, which are at variable rates. At August 31, 2010, 66% of our outstanding debt has fixed rates and 34% has variable rates. At August 31, 2010, a uniform 10% increase in interest rates would result in approximately $0.5 million of additional annual interest expense.

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated Balance Sheets

YEARS ENDED AUGUST 31, *(In thousands)*	2010	2009[1]
Assets		
Cash and cash equivalents	$ 98,864	$ 76,187
Restricted cash	2,525	1,083
Accounts receivable	89,252	113,371
Inventories	185,604	142,824
Assets held for sale	31,826	31,711
Equipment on operating leases, net	302,663	313,183
Investment in direct finance leases	1,795	7,990
Property, plant and equipment, net	132,614	127,974
Goodwill	137,066	137,066
Intangibles and other assets	90,679	96,902
	$ 1,072,888	$ 1,048,291
Liabilities and Equity		
Revolving notes	$ 2,630	$ 16,041
Accounts payable and accrued liabilities	181,638	170,889
Losses in excess of investment in de-consolidated subsidiary		15,313
Deferred income taxes	81,136	69,199
Deferred revenue	11,377	19,250
Notes payable	498,700	525,149
Commitments and contingencies (Notes 25 & 26)		
Equity:		
Greenbrier		
Preferred stock - without par value; 25,000 shares authorized; none outstanding		
Common stock - without par value; 50,000 shares authorized; 21,875 and 17,094 outstanding at August 31, 2010 and 2009	22	17
Additional paid-in capital	172,404	117,060
Retained earnings	120,716	116,439
Accumulated other comprehensive loss	(7,204)	(9,790)
Total equity Greenbrier	285,938	223,726
Noncontrolling interest	11,469	8,724
Total equity	297,407	232,450
	$ 1,072,888	$ 1,048,291

(1) 2009 was adjusted for the effects of Accounting Standards Codification (ASC) 470 20 *Debt Debt with Conversion and Other Options.* See Note 2 to the Consolidated Financial Statements. An adjustment to the presentation was also made to conform to the adoption of ASC 810-10-65 *Consolidation Transition related to SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51.*

The accompanying notes are an integral part of these financial statements.

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Consolidated Statements of Operations

YEARS ENDED AUGUST 31, *(In thousands, except per share amounts)*	2010	2009[1]	2008[1]
Revenue			
Manufacturing	$ 295,566	$ 462,496	$ 665,093
Wheel Services, Refurbishment & Parts	390,061	476,164	527,466
Leasing & Services	78,823	79,465	97,520
	764,450	1,018,125	1,290,079
Cost of revenue			
Manufacturing	268,395	458,733	653,879
Wheel Services, Refurbishment & Parts	344,522	420,294	426,183
Leasing & Services	41,365	45,991	47,774
	654,282	925,018	1,127,836
Margin	110,168	93,107	162,243
Other costs			
Selling and administrative	69,931	65,743	85,133
Interest and foreign exchange	43,134	45,912	44,320
Special items	(11,870)	55,667	2,302
	101,195	167,322	131,755
Earnings (loss) before income tax and earnings (loss) from unconsolidated affiliates	8,973	(74,215)	30,488
Income tax benefit (expense)	959	16,917	(17,159)
Earnings (loss) before earnings (loss) from unconsolidated affiliates	9,932	(57,298)	13,329
Earnings (loss) from unconsolidated affiliates	(1,601)	(565)	872
Net earnings (loss)	8,331	(57,863)	14,201
Net (earnings) loss attributable to noncontrolling interest	(4,054)	1,472	3,182
Net earnings (loss) attributable to Greenbrier	$ 4,277	$ (56,391)	$ 17,383
Basic earnings (loss) per common share:	$ 0.23	$ (3.35)	$ 1.06
Diluted earnings (loss) per common share:	$ 0.21	$ (3.35)	$ 1.06
Weighted average common shares:			
Basic	18,585	16,815	16,395
Diluted	20,213	16,815	16,417

[1] 2009 and 2008 were adjusted for the effects of Accounting Standards Codification (ASC) 470 20 *Debt Debt with Conversion and Other Options.* See Note 2 to the Consolidated Financial Statements. An adjustment to the presentation was also made to conform to the adoption of ASC 810-10-65 *Consolidation Transition related to SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51.*

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Consolidated Statements of Equity and Comprehensive Income (Loss)

	Attributable to Greenbrier							
(In thousands, except for per share amounts)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Attributable to Noncontrolling Interest	Total Equity
Balance September 1, 2007[1]	16,169	$ 16	$ 95,747	$ 162,845	$ (166)	$ 5,146	263,588
Net earnings (loss)				17,383		(3,182)	14,201
Translation adjustment (net of tax effect)					4,852		4,852
Pension plan adjustment					(6,873)		(6,873)
Reclassification of derivative financial instruments recognized in net earnings (net of tax effect)					(94)		(94)
Unrealized gain on derivative financial instruments (net of tax effect)					905		905
Comprehensive income							12,991
Investment by joint venture partner						6,600	6,600
Noncontrolling interest adjustments						54	54
Pension adjustment (net of tax effect)					71		71
Cash dividends ($0.32 per share)				(5,261)			(5,261)
Uncertain tax position adjustment				(136)			(136)
Restricted stock awards (net of cancellations)	432	1	9,473				9,474
Unamortized restricted stock			(9,442)				(9,442)
Restricted stock amortization			3,932				3,932
Stock options exercised	5		43				43
Excess tax expense of stock options exercised			(76)				(76)
Balance August 31, 2008[1]	16,606	17	99,677	174,831	(1,305)	8,618	281,838
Net loss				(56,391)		(1,472)	(57,863)
Translation adjustment (net of tax effect)					(5,527)		(5,527)
Reclassification of derivative financial instruments recognized in net loss (net of tax effect)					(612)		(612)
Unrealized loss on derivative financial instruments (net of tax effect)					(2,465)		(2,465)

Comprehensive loss							(66,467)
Investment by joint venture partner						1,400	1,400
Noncontrolling interest adjustments						178	178
Pension adjustment (net of tax effect)					119		119
Cash dividends ($0.12 per share)				(2,001)			(2,001)
Warrants			13,410				13,410
Restricted stock awards (net of cancellations)	485		1,252				1,252
Unamortized restricted stock			(1,252)				(1,252)
Restricted stock amortization			5,062				5,062
Stock options exercised	3		23				23
Excess tax expense of stock options exercised			(1,112)				(1,112)
Balance August 31, 2009[1]	17,094	17	117,060	116,439	(9,790)	8,724	232,450
Net earnings				4,277		4,054	8,331
Translation adjustment (net of tax effect)					(3,831)		(3,831)
Pension adjustment (net of tax effect)					6,810		6,810
Reclassification of derivative financial instruments recognized in net earnings (net of tax effect)					(878)		(878)
Unrealized gain on derivative financial instruments (net of tax effect)					485		485
Comprehensive income							10,917
Noncontrolling interest adjustments						(1,309)	(1,309)
ASC 470-20 adjustment for partial convertible note retirement (net of tax)			(2,535)				(2,535)
Net proceeds from equity offering	4,500	5	52,703				52,708
Restricted stock awards (net of cancellations)	274		3,210				3,210
Unamortized restricted stock			(3,210)				(3,210)
Restricted stock amortization			5,825				5,825
Stock options exercised	7		29				29
Excess tax expense of stock options exercised			(678)				(678)
Balance August 31, 2010	21,875	$ 22	$ 172,404	$ 120,716	$ (7,204)	$ 11,469	$ 297,407

[1] 2009 and 2008 were adjusted for the effects of Accounting Standards Codification (ASC) 470 20 *Debt Debt with Conversion and Other Options.* See Note 2 to the Consolidated Financial Statements. An adjustment to the presentation was also made to conform to the adoption of ASC 810-10-65 *Consolidation Transition related to SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51.*

The accompanying notes are an integral part of these financial statements.

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Consolidated Statements of Cash Flows

YEARS ENDED AUGUST 31,

(In thousands)	**2010**	**2009**[(1)]	**2008**[(1)]
Cash flows from operating activities:			
Net earnings (loss)	$ 8,331	$ (57,863)	$ 14,201
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Deferred income taxes	15,052	(13,299)	11,528
Depreciation and amortization	37,511	37,669	35,086
Gain on sales of equipment	(6,543)	(1,167)	(8,010)
Special items	(11,870)	55,667	2,302
Accretion of debt discount	8,581	4,948	3,550
Gain on extinguishment of debt	(3,218)		
Other	4,237	3,583	390
Decrease (increase) in assets excluding acquisitions:			
Accounts receivable	22,430	58,521	(7,621)
Inventories	(44,276)	98,751	(29,692)
Assets held for sale	(177)	21,841	(10,621)
Other	7,171	1,157	(2,700)
Increase (decrease) in liabilities excluding acquisitions:			
Accounts payable and accrued liabilities	12,777	(86,514)	21,801
Deferred revenue	(7,445)	(2,829)	1,904
Net cash provided by operating activities	42,561	120,465	32,118
Cash flows from investing activities:			
Principal payments received under direct finance leases	390	429	375
Proceeds from sales of equipment	22,978	15,555	14,598
Investment in and advances (to) from unconsolidated affiliates	(927)		858
Contract placement fee	(6,050)		
Acquisitions, net of cash acquired			(91,166)
De-consolidation of subsidiary			(1,217)
Decrease (increase) in restricted cash	(1,442)	(109)	2,046
Capital expenditures	(38,989)	(38,847)	(77,644)
Other	(130)		
Net cash used in investing activities	(24,170)	(22,972)	(152,150)
Cash flows from financing activities:			
Net changes in revolving notes with maturities of 90 days or less	(11,934)	(81,251)	55,514
Proceeds from revolving notes with maturities longer than 90 days	5,698		
Repayments of revolving notes with maturities longer than 90 days	(5,698)		
Net proceeds from issuance of notes payable	2,040	69,768	49,613
Repayments of notes payable	(38,267)	(16,436)	(6,919)
Net proceeds from equity offering	52,708		
Investment by joint venture partner		1,400	6,600
Dividends paid		(2,001)	(5,261)
Other	29	3,973	3,931

Net cash provided by (used in) financing activities		4,576		(24,547)		103,478
Effect of exchange rate changes		(290)		(2,716)		1,703
Increase (decrease) in cash and cash equivalents		22,677		70,230		(14,851)
Cash and cash equivalents						
Beginning of period		76,187		5,957		20,808
End of period	$	98,864	$	76,187	$	5,957
Cash paid during the period for:						
Interest	$	29,409	$	31,967	$	35,274
Income taxes paid (refunded)	$	(14,953)	$	592	$	4,246
Non-cash activity						
Transfer of assets held for sale to equipment on operating leases	$		$	4,830	$	6,441
Transfer of other assets to property, plant and equipment		708				
Adjustment to tax reserve				7,415		
Warrant valuation				13,410		
Supplemental disclosure of non-cash activity:						
Assumption of acquisition capital lease obligation	$		$		$	498
Seller receivable netted against acquisition note						503
De-consolidation of subsidiary (see note 4)						15,313
Supplemental disclosure of subsidiary acquired						
Assets acquired	$		$		$	(96,782)
Liabilities assumed						5,616
Acquisitions, net of cash acquired	$		$		$	(91,166)

(1) 2009 and 2008 were adjusted for the effects of Accounting Standards Codification (ASC) 470 20 *Debt Debt with Conversion and Other Options.* See Note 2 to the Consolidated Financial Statements. An adjustment to the presentation was also made to conform to the adoption of ASC 810-10-65 *Consolidation Transition related to SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51.*

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations

The Greenbrier Companies, Inc. and its subsidiaries (Greenbrier or the Company) currently operate in three primary business segments: Manufacturing, Wheel Services, Refurbishment & Parts and Leasing & Services. The three business segments are operationally integrated. With operations in the United States, Mexico and Poland, the Manufacturing segment produces double-stack intermodal railcars, conventional railcars, tank cars and marine vessels. The Wheel Services, Refurbishment & Parts segment performs railcar repair, refurbishment and maintenance activities in the United States and Mexico as well as wheel and axle servicing and production of a variety of parts for the railroad industry. The Leasing & Services segment owns approximately 8,000 railcars and provides management services for approximately 225,000 railcars for railroads, shippers, carriers, institutional investors and other leasing and transportation companies in North America. Greenbrier also produces railcar castings through an unconsolidated joint venture.

Note 2 - Summary of Significant Accounting Policies

Principles of consolidation **-** The financial statements include the accounts of the Company and its subsidiaries in which it has a controlling interest. All intercompany transactions and balances are eliminated upon consolidation.

Unclassified Balance Sheet **-** The balance sheets of the Company are presented in an unclassified format as a result of significant leasing activities for which the current or non-current distinction is not relevant. In addition, the activities of the Manufacturing; Wheel Services, Refurbishment & Parts and Leasing & Services segments are so intertwined that in the opinion of management, any attempt to separate the respective balance sheet categories would not be meaningful and may lead to the development of misleading conclusions by the reader.

Foreign currency translation **-** Operations outside the United States prepare financial statements in currencies other than the United States dollar. Revenues and expenses are translated at average exchange rates for the year, while assets and liabilities are translated at year-end exchange rates. Translation adjustments are accumulated as a separate component of equity in other comprehensive income (loss).

Cash and cash equivalents **-** Cash is temporarily invested primarily in money market funds. All highly-liquid investments with a maturity of three months or less at the date of acquisition are considered cash equivalents.

Restricted cash **-** Restricted cash is a pass through account for activity related to car hire auditing and processing for certain third party customers.

Accounts receivable **-** Accounts receivable are stated net of allowance for doubtful accounts of $3.9 million and $5.6 million as of August 31, 2010 and 2009.

	Years Ended August 31,		
(In thousands)	**2010**	**2009**	**2008**
Allowance for doubtful accounts			
Balance at beginning of period	$ 5,612	$ 5,557	$ 3,916
Additions, net of reversals	(385)	641	3,184
Usage	(991)	(560)	(1,598)
Currency translation effect	(305)	(26)	55

Balance at end of period	$ 3,931	$ 5,612	$ 5,557

Inventories **-** Inventories are valued at the lower of cost (first-in, first-out) or market. Work-in-process includes material, labor and overhead.

Assets held for sale **-** Assets held for sale consist of new railcars in transit to delivery point, railcars on lease with the intent to sell, used railcars that will either be sold or refurbished or placed on lease and then sold, finished goods and completed wheel sets.

Equipment on operating leases, net **-** Equipment on operating leases is stated net of accumulated depreciation. Depreciation to estimated salvage value is provided on the straight-line method over the estimated useful lives of up to thirty-five years.

Property, plant and equipment **-** Property, plant and equipment is stated net of accumulated depreciation. Depreciation is provided on the straight-line method over estimated useful lives which are as follows:

	Depreciable Life
Buildings and improvements	10-25 years
Machinery and equipment	3-15 years
Other	3-7 years

Goodwill **-** Goodwill is recorded when the purchase price of an acquisition exceeds the fair market value of the net assets acquired. Goodwill is not amortized and is tested for impairment at least annually and more frequently if material changes in events or circumstances arise. This testing compares carrying values to fair values and if the carrying value of these assets is in excess of fair value, the carrying value is reduced to fair value. The Company performs a goodwill impairment test annually during the third quarter.

Intangible and other assets **-** Intangible assets are recorded when a portion of the purchase price of an acquisition is allocated to assets such as customer contracts and relationships, trade names, certifications and backlog. 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, 5 to 20 years. Other assets include loan fees and debt acquisition costs which are capitalized and amortized as interest expense over the life of the related borrowings.

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 estimated realizable value is recognized in the current period. No impairment was recorded in the current fiscal year.

Maintenance obligations **-** The Company is 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 liability is based on maintenance histories for each type and age of railcar. The liability, included in accounts payable and accrued liabilities, is reviewed periodically and updated based on maintenance trends and known future repair or refurbishment requirements.

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

Contingent rental assistance **-** The Company has entered into contingent rental assistance agreements 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 five years. A liability is established when management believes that it is probable that a rental shortfall will occur and the amount can be estimated.

Income taxes **-** The liability method is used to account for income taxes. Deferred income taxes are provided for the temporary effects of differences between assets and liabilities recognized for financial statement and income tax reporting purposes. Valuation allowances reduce deferred tax assets to an amount that will more likely than not be realized. As a result, we recognize liabilities for uncertain tax positions based on whether evidence indicates that it is more likely than not that the position will be sustained on audit. It is inherently difficult and subjective to estimate such amounts, as this requires us to determine the probability of various possible outcomes. The Company reevaluates these uncertain tax positions on a quarterly basis. Changes in assumptions may result in the recognition of a tax benefit or an additional charge to the tax provision.

Noncontrolling interest **-** In October 2006, the Company formed a joint venture with Grupo Industrial Monclova, S.A. (GIMSA) to manufacture new railroad freight cars for the North American marketplace at GIMSA s existing manufacturing facility located in Frontera, Mexico. Each party owns a 50% interest in the joint venture. Production began late in the Company s third quarter of 2007. The financial results of this operation are consolidated for financial reporting purposes as the Company maintains a controlling interest as evidenced by the right to appoint the majority of the board of directors, control over accounting, financing, marketing and engineering, and approval and design of products. The noncontrolling interest reflected in the Company s consolidated financial statements represents the joint venture partner s equity in this venture.

Accumulated other comprehensive income (loss) **-** Accumulated other comprehensive income (loss) represents net earnings (loss) plus all other changes in net assets from non-owner sources.

Revenue recognition **-** Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable and collectibility is reasonably assured.

Railcars are generally manufactured, repaired or refurbished under firm orders from third parties. Revenue is recognized when new or refurbished railcars are completed, accepted by an unaffiliated customer and contractual contingencies removed. Marine revenues are either recognized on the percentage of completion method during the construction period or on the completed contract method based on the terms of the contract. Cash payments received in advance prior to meeting revenue recognition criteria are accounted for in deferred revenue. Direct finance lease revenue is recognized over the lease term in a manner that produces a constant rate of return on the net investment in the lease. Operating lease revenue is recognized as earned under the lease terms. Certain leases are operated under car hire arrangements whereby revenue is earned based on utilization, car hire rates and terms specified in the lease agreement. Car hire revenue is reported from a third party source two months in arrears; however, such revenue is accrued in the month earned based on estimates of use from historical activity and is adjusted to actual as reported. Such adjustments historically have not differed significantly from the estimate.

Interest and foreign exchange - Includes foreign exchange gains and losses, amortization of loan fee expense, accretion of debt discounts, gains from extinguishment of debt and external interest expense.

	Years Ended August 31,		
(In thousands)	**2010**	**2009**	**2008**
Interest and foreign exchange:			
Interest and other expense	$ 36,214	$ 35,669	$ 38,612
Accretion of term loan debt discount	4,377	1,117	
Accretion of convertible debt discount	3,771	3,831	3,550
Gain on debt extinguishment	(3,218)		
Write-off of fees and debt discount on debt prepayment	1,148	1,300	
Foreign exchange loss	842	3,995	2,158
	$ 43,134	$ 45,912	$ 44,320

Research and development **-** Research and development costs are expensed as incurred. Research and development costs incurred for new product development during the years ended August 31, 2010, 2009 and 2008 were $2.6 million, $1.7 million and $2.9 million.

Forward exchange contracts **-** Foreign operations give rise to risks from changes in foreign currency exchange rates. Forward exchange contracts with established financial institutions are utilized to hedge a portion of such risk. Realized and unrealized gains and losses are deferred in other comprehensive income (loss) and recognized in

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earnings concurrent with the hedged transaction or when the occurrence of the hedged transaction is no longer considered probable. Ineffectiveness is measured and any gain or loss is recognized in foreign exchange gain or loss. Even though forward exchange contracts are entered into to mitigate the impact of currency fluctuations, certain exposure remains, which may affect operating results. In addition, there is risk for counterparty non-performance.

Interest rate instruments **-** Interest rate swap agreements are utilized to reduce the impact of changes in interest rates on certain debt. The net cash amounts paid or received under the agreements are accrued and recognized as an adjustment to interest expense.

Net earnings per share **-** Basic earnings per common share (EPS) excludes the potential dilution that would occur if additional shares were issued upon exercise of outstanding stock options and warrants, while diluted EPS takes this potential dilution into account using the treasury stock method.

Stock-based compensation **-** All stock options were vested prior to September 1, 2005 and accordingly no compensation expense was recognized for stock options for the years ended August 31, 2010, 2009 and 2008. The value, at the date of grant, of stock awarded under restricted stock grants is amortized as compensation expense over the vesting period of three to five years. Compensation expense recognized related to restricted stock grants for the years ended August 31, 2010, 2009 and 2008 was $5.8 million, $5.1 million and $3.9 million.

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

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

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

The retrospective application of this guidance adjusted Interest and foreign exchange and Net earnings (loss) attributable to Greenbrier and earnings (loss) per share for 2009 and 2008 as indicated in the following tables (in thousands, except per share amounts):

	Year Ended August 31, 2009			
	Interest and Foreign Exchange	Net loss Attributable to Greenbrier	Basic Loss per Common Share	Diluted Loss per Common Share
Previously reported	$ 42,081	$ (54,060)	$ (3.21)	$ (3.21)
Adjustment	3,831	(2,331)	(0.14)	(0.14)
Revised	$ 45,912	$ (56,391)	$ (3.35)	$ (3.35)

	Year Ended August 31, 2008			
	Interest and Foreign Exchange	Net Earnings Attributable to Greenbrier	Basic Earnings per Common Share	Diluted Earnings per Common Share
Previously reported	$ 40,770	$ 19,542	$ 1.19	$ 1.19
Adjustment	3,550	(2,159)	(0.13)	(0.13)
Revised	$ 44,320	$ 17,383	$ 1.06	$ 1.06

The retrospective application of this guidance adjusted the Consolidated Balance Sheet as of August 31, 2009 as follows (in thousands):

	August 31, 2009			
	Deferred Income Taxes	Notes Payable	Additional Paid-in Capital	Retained Earnings
Previously reported	$ 62,530	$ 542,180	$ 99,645	$ 123,492
Adjustment	6,669	(17,031)	17,415	(7,053)
Revised	$ 69,199	$ 525,149	$ 117,060	$ 116,439

Prospective Accounting Changes **-** In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* which provides guidance with respect to consolidation of variable interest entities. This statement retains the scope of Interpretation 46(R) with the addition of entities previously considered qualifying special-purpose entities, as the concept of these entities was eliminated in SFAS No. 166, *Accounting for Transfers of Financial Assets*. This statement replaces the quantitative-based risks and rewards calculation for determining the primary beneficiary of a variable interest entity. The approach focuses on identifying which enterprise has the power to direct activities that most significantly impact the entity s economic performance and the obligation to absorb the losses or receive the benefits from the entity. It is possible that application of this revised guidance will change an enterprise s assessment of involvement with variable interest entities. This statement, which has been codified within ASC 810, *Consolidations,* was effective for the Company as of September 1, 2010. The initial adoption did not have an effect on the Company s Consolidated Financial Statements.

Note 3 - Special Items

In April 2007, the Company s board of directors approved the permanent closure of the Company s then Canadian railcar manufacturing subsidiary, TrentonWorks Ltd. (TrentonWorks). As a result of the facility closure decision, charges of $2.3 million were recorded in Special items during 2008 consisting of severance costs and professional and other expenses. In March 2008, Trenton Works filed for bankruptcy. During the fourth quarter of 2010, the bankruptcy was resolved and the Company recorded income of $11.9 million in Special items. See Note 4 De-consolidation of Subsidiary.

In May 2009, the Company recorded charges of $55.7 million in Special items 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 Wheel Services, Refurbishment & Parts segment.

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 were administered and liquidated by an appointed trustee. 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 reported its investment in TrentonWorks using the cost method. Under the cost method, the investment was 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 was 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 was included in Accumulated other comprehensive loss. In the fourth quarter of fiscal 2010, the bankruptcy was resolved upon liquidation of substantially all remaining assets of TrentonWorks by the bankruptcy trustee. The resolution of the bankruptcy and associated release of obligations resulted in the recognition of $11.9 million of income in 2010, consisting of the reversal of the $15.3 million liability, net of the $3.4 million other comprehensive loss. This income was recorded in Special items on the Consolidated Statement of Operations.

Note 5 - Inventories

	Years Ended August 31,	
(In thousands)	**2010**	**2009**
Manufacturing supplies and raw materials	$ 119,306	$ 113,935
Work-in-process	70,394	33,771
Lower of cost or market adjustment	(4,096)	(4,882)
	$ 185,604	$ 142,824

	Years Ended August 31,		
(In thousands)	**2010**	**2009**	**2008**
Lower of cost or market adjustment			
Balance at beginning of period	$ 4,882	$ 4,999	$ 3,807
Charge to cost of revenue	1,698	2,340	4,567
Disposition of inventory	(2,249)	(1,896)	(3,636)
Currency translation effect	(235)	(561)	261
Balance at end of period	$ 4,096	$ 4,882	$ 4,999

Note 6 - Assets Held for Sale

(In thousands)	Years Ended August 31, 2010	2009
Railcars held for sale	$ 12,804	$ 13,625
Railcars in transit to customer	2,451	192
Finished goods parts	16,571	17,894
	$ 31,826	$ 31,711

Note 7 - Investment in Direct Finance Leases

	Years Ended August 31,	
(In thousands)	**2010**	**2009**
Future minimum receipts on lease contracts	$ 2,647	$ 13,913
Maintenance, insurance, and taxes	(4)	(319)
Net minimum lease receipts	2,643	13,594
Estimated residual values	234	1,399
Unearned finance charges	(1,082)	(7,003)
	$ 1,795	$ 7,990

Future minimum receipts on the direct finance lease contracts are as follows:

(In thousands)	
Year ending August 31,	
2011	$ 397
2012	396
2013	309
2014	309
2015	309
Thereafter	927
	$ 2,647

Note 8 - Equipment on Operating Leases, net

Equipment on operating leases is reported net of accumulated depreciation of $85.0 million and $79.8 million as of August 31, 2010 and 2009. In addition, certain railcar equipment leased-in by the Company (see Note 25 Lease Commitments) is subleased to customers under non-cancelable operating leases. Aggregate minimum future amounts receivable under all non-cancelable operating leases and subleases are as follows:

(In thousands)	
Year ending August 31,	
2011	$ 27,145
2012	19,686
2013	11,035
2014	9,305
2015	6,634
Thereafter	17,037

$	90,842

Certain equipment is also operated under daily, monthly or car hire arrangements. Associated revenue amounted to $18.4 million, $22.8 million and $28.4 million for the years ended August 31, 2010, 2009 and 2008.

Note 9 - Property, Plant and Equipment, net

	Years Ended August 31,	
(In thousands)	**2010**	**2009**
Land and improvements	$ 25,539	$ 20,324
Machinery and equipment	163,351	163,444
Buildings and improvements	72,727	76,970
Other	42,893	23,927
	304,510	284,665
Accumulated depreciation	(171,896)	(156,691)
	$ 132,614	$ 127,974

Note 10 - Goodwill

The Company performs a goodwill impairment test annually during the third quarter. Goodwill is also tested more frequently if changes in circumstances or the occurrence of events indicates that a potential impairment exists. The provisions of ASC 350, *Intangibles Goodwill and Other*, require the Company to perform a two-step impairment test on goodwill. In the first step, the Company compares the fair value of each reporting unit with its carrying value. The Company determines the fair value of our reporting units based on a weighting of income and market approaches. Under the income approach, the Company calculates the fair value of a reporting unit based on the present value of estimated future cash flows. Under the market approach, the Company estimates 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 the Company would compare the implied fair value of goodwill to its carrying value. The implied fair value of goodwill is determined by allocating the fair value of a reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the reporting unit. The excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. An impairment loss is recorded to the extent that the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill. The goodwill balance, net of cumulative write-downs of $55.7 million, as of August 31, 2010 and 2009 was $137.1 million. The remaining balance relates to the Wheel Services, Refurbishment & Parts segment. Goodwill was tested as of February 28, 2010 and the Company concluded that goodwill was not impaired.

Note 11 - Intangibles and Other Assets

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

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

	Years Ended August 31,	
(In thousands)	**2010**	**2009**

Intangible assets subject to amortization:		
Customer relationships	$ 66,825	$ 66,825
Accumulated amortization	(13,701)	(9,549)
Other intangibles	5,003	5,187
Accumulated amortization	(2,845)	(2,289)
	55,282	60,174
Intangible assets not subject to amortization	912	912
Prepaid and other assets	34,485	35,816
	$ 90,679	$ 96,902

Intangible assets with finite lives are amortized using the straight line method over their estimated useful lives and include the following: proprietary technology, 10 years; trade names, 5 years; patents, 11 years; and long-term customer agreements and relationships, 5 to 20 years. Amortization expense for the years ended August 31, 2010, 2009 and 2008 was $4.8 million, $4.8 million and $3.7 million. Amortization expense for the years ending August 31, 2011, 2012, 2013, 2014 and 2015 is expected to be $4.7 million, $4.5 million, $4.4 million, $4.3 million and $4.3 million.

Note 12 - Investment in Unconsolidated Affiliates

In April 2010, WLR - Greenbrier Rail Inc. (WLR-GBX) was formed and acquired a lease fleet of nearly 4,000 railcars valued at approximately $230.0 million. WLR-GBX is wholly owned by affiliates of WL Ross. The Company paid a $6.1 million contract placement fee to WLR-GBX for the right to perform certain management and advisory services and in exchange will receive management and other fee income and incentive compensation tied to the performance of WLR-GBX. The contract placement fee is accounted for under the equity method and is recorded in Intangibles and other assets on the Consolidated Balance Sheet.

WLR-GBX qualifies as a variable interest entity under ASC 810, *Consolidations*. While the Company acts as asset manager to WLR-GBX, it is not the primary beneficiary. The Company has no authority to make decisions regarding key business activities that most significantly impact the entity s economic performance, such as asset re-marketing and disposition activities, which requires the approval of affiliates of WL Ross.

In June 2003, the Company acquired a 33% minority ownership interest in a joint venture which produces castings for freight cars. This joint venture is accounted for under the equity method and the investment is included in Intangibles and other assets on the Consolidated Balance Sheets. The facility has been idled and expects to restart production when demand returns. The Company, along with the other partners, has made additional investments during fiscal year 2010, the Company s share of which was $0.9 million. Additional investments may be required.

Note 13 - Revolving Notes

All amounts originating in foreign currency have been translated at the August 31, 2010 exchange rate for the following discussion. As of August 31, 2010 senior secured credit facilities, consisting of two components, aggregated $111.1 million. As of August 31, 2010 a $100.0 million revolving line of credit secured by substantially all the Company s assets in the United States not otherwise pledged as security for term loans, maturing November 2011, was available to provide working capital and interim financing of equipment, principally for the United States and Mexican operations. Advances under this facility bear interest at variable rates that depend on the type of borrowing and the defined ratio of debt to total capitalization. Available borrowings under the credit facility are generally based on defined levels of inventory, receivables, property, plant and equipment and leased equipment, as well as total debt to consolidated capitalization and interest coverage ratios. In addition, as of August 31, 2010, lines of credit totaling $11.1 million secured by substantially all of the Company s European assets, with various variable rates, were available for working capital needs of the European manufacturing operation. European credit facilities are continually being renewed. Currently these European credit facilities have maturities that range from April 2011 through June 2011. Subsequent to year end, the Company s Mexican joint venture renewed its line of credit of up to $10.0 million secured by certain of the joint venture s accounts receivable and inventory. Advances under this facility bear interest at LIBOR plus 2.5% and are due 180 days after the date of borrowing. Currently the joint venture will be able to draw against the facility through August 2011.

As of August 31, 2010 outstanding borrowings under these facilities consists of $3.6 million in letters of credit outstanding under the North American credit facility and $2.6 million in revolving notes outstanding under the

European credit facilities.

Note 14 - Accounts Payable and Accrued Liabilities

	Years Ended August 31,	
(In thousands)	**2010**	**2009**
Trade payables	$ 141,767	$ 128,807
Accrued payroll and related liabilities	19,025	16,332
Accrued maintenance	12,460	16,206
Accrued warranty	6,304	8,184
Other	2,082	1,360
	$ 181,638	$ 170,889

Note 15 - Maintenance and Warranty Accruals

	Years Ended August 31,		
(In thousands)	**2010**	**2009**	**2008**
Accrued maintenance			
Balance at beginning of period	$ 16,206	$ 17,067	$ 20,498
Charged to cost of revenue	13,581	17,005	17,720
Payments	(17,327)	(17,866)	(21,151)
Balance at end of period	$ 12,460	$ 16,206	$ 17,067
Accrued warranty			
Balance at beginning of period	$ 8,184	$ 11,873	$ 15,911
Charged to cost of revenue	425	32	2,808
Payments	(2,252)	(3,193)	(5,655)
Currency translation effect	(53)	(528)	956
De-consolidation effect			(2,147)
Balance at end of period	$ 6,304	$ 8,184	$ 11,873

Note 16 - Notes Payable

	Years Ended August 31,	
(In thousands)	**2010**	**2009**
Senior unsecured notes	$ 235,000	$ 235,000
Convertible senior notes	67,724	100,000
Term loans	212,019	219,075
Other notes payable	176	398
	514,919	554,473

Debt discount net of accretion	(16,219)	(29,324)
	$ 498,700	$ 525,149

Senior unsecured notes, due 2015, bear interest at a fixed rate of 83/8%, paid semi-annually in arrears on May 15th and November 15th of each year. Payment on the notes is guaranteed by substantially all of the Company s domestic subsidiaries.

Convertible senior notes, due 2026, bear interest at a fixed rate of 23/8%, paid semi-annually in arrears on May 15th and November 15th. The Company will also pay contingent interest of 3/8% on the notes in certain circumstances commencing with the six-month period beginning May 15, 2013. Payment on the convertible notes is guaranteed by substantially all of the Company s domestic subsidiaries. The convertible senior notes will be convertible upon the occurrence of specified events into cash and shares, if any, of Greenbrier s common stock at an initial conversion rate of 20.8125 shares per $1,000 principal amount of the notes (which is equal to an initial conversion price of $48.05 per share). The initial conversion rate is subject to adjustment upon the occurrence of certain events, as defined. On or after May 15, 2013, Greenbrier may redeem all or a portion of the notes at a redemption price equal to 100% of the principal amount of the notes plus accrued and unpaid interest. On May 15, 2013, May 15, 2016 and May 15, 2021 and in the event of certain fundamental changes, holders may require the Company to repurchase all or a portion of their notes at a price equal to 100% of the principal amount of the notes plus accrued and unpaid interest. During fiscal 2010, the Company retired $32.3 million of the convertible notes early and realized a gain of $3.2 million which was recorded as Interest and foreign exchange in the Consolidated Statement of Operations. The debt discount associated with the convertible senior notes is being accreted using the effective interest rate method through May 2013 and the accretion expense is included in Interest and foreign exchange on the Consolidated Statements of Operations. The pre-tax accretion is expected to be approximately $3.0 million in the year ending August 31, 2011, $3.3 million in the year ending August 31, 2012 and $2.5 million in the year ending August 31, 2013.

On March 30, 2007, the Company issued a $100.0 million senior term note secured by a pool of leased railcars. The note bears a floating interest rate of LIBOR plus 1% with principal of $0.7 million paid quarterly in arrears and a balloon payment of $81.8 million due at the end of the seven-year loan term. On May 9, 2008, the Company issued an additional $50.0 million senior term note secured by a pool of leased railcars. The note bears a floating interest rate of LIBOR plus 1% with principal of $0.3 million paid quarterly in arrears and a balloon payment of $41.2 million due at the end of the seven-year loan term. An interest rate swap agreement was entered into to swap the floating interest rate of LIBOR plus 1% to a fixed rate of 4.24%. At August 31, 2010, the notional amount of the agreement was $45.6 million and matures in March 2014. On June 10, 2009, the Company issued a $75.0 million term loan, maturing in June 2012, which is principally secured by certain assets including all of a subsidiary s assets. The loan contains no financial covenants, is non-amortizing and requires mandatory prepayments under certain circumstances. The balance as of August 31, 2010 was $71.8 million and has a variable interest rate of LIBOR plus 3.5% paid quarterly in arrears with a balloon payment due at the end of the three-year loan term. In connection with the loan, the Company issued warrants to purchase 3.378 million shares of its common stock at $6 per share, both subject to adjustment in certain circumstances. The warrants have a five-year term. The warrants were valued at $13.4 million, and recorded as a debt discount (reducing Notes payable) and Additional paid-in capital (increasing Stockholders equity Greenbrier) on the Consolidated Balance Sheet. This debt discount will be accreted and recorded as Interest and foreign exchange in the Statements of Operations over the life of the loan. The accretion of the debt discount was $4.8 million and $1.1 million for the years ended August 31, 2010 and 2009. Accretion is expected to be $4.3 million for the year ending August 31, 2011 and $3.2 million for the year ending August 31, 2012.

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

Principal payments on the notes payable are expected as follows:

(In thousands)	
Year ending August 31,	
2011	$ 4,565
2012	76,320

2013	72,219
2014	84,710
2015	276,933
Thereafter	172
	$ 514,919

Note 17 - 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 August 31, 2010 exchange rates, forward exchange contracts for the purchase of Polish Zloty and the sale of Euro aggregated $37.8 million. Adjusting the foreign currency exchange contracts to the fair value of the cash flow hedges at August 31, 2010 resulted in an unrealized pre-tax gain of $0.2 million that was recorded in accumulated other comprehensive loss. The fair value of the contracts is included in accounts payable and accrued liabilities when there is a loss, or accounts receivable when there is a gain, on the Consolidated Balance Sheets. As the contracts mature at various dates through December 2011, any such gain or loss remaining will be recognized in manufacturing revenue along with the related transactions. In the event that the underlying sales transaction does not occur or does not occur in the period designated at the inception of the hedge, the amount classified in accumulated other comprehensive loss would be reclassified to the current year s results of operations in Interest and foreign exchange.

At August 31, 2010, an interest rate swap agreement had a notional amount of $45.6 million and matures March 2014. The fair value of this cash flow hedge at August 31, 2010 resulted in an unrealized pre-tax loss of $5.1 million. The loss is included in accumulated other comprehensive loss and the fair value of the contract is included in accounts payable and accrued liabilities on the Consolidated Balance Sheet. As interest expense on the underlying debt is recognized, amounts corresponding to the interest rate swap are reclassified from accumulated other comprehensive loss and charged or credited to interest expense. At August 31, 2010 interest rates, approximately $1.2 million would be reclassified to interest expense in the next 12 months.

Fair Values of Derivative Instruments

	Asset Derivatives			**Liability Derivatives**		
		August 31,			**August 31,**	
		2010	**2009**		**2010**	**2009**
(In thousands)	**Balance Sheet Location**	**Fair Value**	**Fair Value**	**Balance Sheet Location**	**Fair Value**	**Fair Value**
Derivatives designated as hedging instruments						
Foreign forward exchange contracts	Accounts receivable	$ 573	$ 1,004	Accounts payable and accrued liabilities	$ 215	$ 1,650
Interest rate swap contracts	Other assets			Accounts payable and accrued liabilities	5,141	3,617

		$ 573	$ 1,004		$ 5,356	$ 5,267
Derivatives not designated as hedging instruments						
Foreign forward exchange contracts	Accounts receivable	$ 111	$ 279	Accounts payable and accrued liabilities	$ 14	$ 590

The Effect of Derivative Instruments on the Statement of Operations

Derivatives in Cash Flow Hedging Relationships	Location of Loss Recognized in Income on Derivative	Loss Recognized in Income on Derivative Twelve Months Ended August 31, 2010	2009
Foreign forward exchange contract	Interest and foreign exchange	$ (354)	$ (8,243)

Derivatives in Cash Flow Hedging Relationships	Gain (Loss) Recognized in OCI on Derivatives (Effective Portion) Twelve Months Ended August 31, 2010	2009	Location of Gain (Loss) Reclassified From Accumulated OCI Into Income	Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Twelve Months Ended August 31, 2010	2009	Location of Loss in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Loss Recognized on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) Twelve Months Ended August 31, 2010	2009
Foreign forward exchange contracts	$ 736	$ (7,709)	Revenue	$ 231	$ (6,777)	Interest and foreign exchange	$	$
Interest rate swap contracts	(1,523)	(3,295)	Interest and foreign exchange	(1,829)	(1,345)	Interest and foreign exchange		
	$ (797)	$ (11,004)		$ (1,598)	$ (8,122)		$	$

Note 18 - Equity

On May 12, 2010, the Company issued 4,000,000 shares of its common stock at a price of $12.50 per share, less underwriting commissions, discounts and expenses. On May 19, 2010, an additional 500,000 shares were issued pursuant to the 30-day over-allotment option exercised by the underwriters. Greenbrier s management has broad discretion to allocate the net proceeds of $52.7 million from the offering for such purposes as working capital, capital expenditures, repayment or repurchase of a portion of the Company s indebtedness or acquisitions of, or investment in, complementary businesses and products.

In January 2005, the stockholders approved the 2005 Stock Incentive Plan. The plan provides for the grant of incentive stock options, non-statutory stock options, restricted shares, stock units and stock appreciation rights. The maximum aggregate number of the Company s common shares available for issuance under the plan is 1,300,000. In January 2009, the stockholders approved an amendment to the 2005 Stock Incentive Plan that increased by 525,000 the maximum number of shares of the Company s common stock that may be issued under the plan. During the years ended August 31, 2010, 2009 and 2008, the Company awarded restricted stock grants totaling 302,326, 696,134 and 443,387 shares under the 2005 Stock Incentive Plan. During the year ended August 31, 2009, the Company accepted voluntarily cancellation and surrender of performance based stock awards covering 205,250 shares.

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The following table summarizes restricted stock award transactions for shares under the 2005 Stock Incentive Plan:

	Shares
Balance at September 1, 2007	607,276
Granted	443,387
Forfeited	(11,000)
Balance at August 31, 2008	1,039,663
Granted	696,134
Forfeited	(210,650)
Balance at August 31, 2009	1,525,147
Granted	302,326
Forfeited	(27,900)
Balance at August 31, 2010	1,799,573

The following table summarizes stock option transactions for shares under option and the related weighted average option price:

	Shares	Weighted Average Option Price
Balance at September 1, 2007	36,660	$ 7.60
Exercised	(5,000)	$ 8.69
Balance at August 31, 2008	31,660	$ 7.42
Exercised	(2,500)	$ 9.19
Forfeited	(17,000)	$ 9.19
Balance at August 31, 2009	12,160	$ 4.59
Exercised	(6,660)	$ 4.47
Balance at August 31, 2010	5,500	$ 4.74

At August 31, 2010 options outstanding have exercise prices ranging from $4.36 to $6.44 per share, have a remaining average contractual life of .12 years and options to purchase 5,500 shares were exercisable. On August 31, 2010, 2009 and 2008, 25,427, 299,853 and 262,837 shares were available for grant.

The value, at the date of grant, of stock awarded under restricted stock grants is amortized as compensation expense over the vesting period of two to five years. Compensation expense recognized related to restricted stock grants for the years ended August 31, 2010, 2009 and 2008 was $5.8 million, $5.1 million and $3.9 million.

Note 19 - 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)	**Years Ended August 31, 2010**	**2009**	**2008**
Weighted average basic common shares outstanding	18,585	16,815	16,395
Dilutive effect of employee stock options[(1)]	6		22
Dilutive effect of warrants[(1)]	1,622		
Weighted average diluted common shares outstanding	20,213	16,815	16,417

[(1)] Dilutive effect of common stock equivalents is excluded from per share calculations for the year ended August 31, 2009 due to net loss. The dilutive effect of warrants, issued in 2009, equivalent to 0.3 million shares were excluded from the calculation of diluted earnings (loss) per common share attributable to Greenbrier for the year ended August 31, 2009 as these warrants were anti-dilutive 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 and warrants. No options were anti-dilutive for the years ended August 31, 2010 and 2008 and no warrants were anti-dilutive for the year ended August 31, 2010.

Note 20 - Related Party Transactions

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

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

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

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

In April 2010, WLR - Greenbrier Rail Inc. (WLR-GBX) was formed and acquired a lease fleet of nearly 4,000 railcars valued at approximately $230.0 million. WLR-GBX is wholly owned by affiliates of WL Ross. The Company paid a $6.1 million contract placement fee to WLR-GBX for the right to perform certain management and advisory services and in exchange will receive management and other fee income and incentive compensation tied to the performance of WLR-GBX. The Company has also paid certain incidental fees and agreed to indemnify WLR-GBX and its affiliates against certain liabilities in connection with such advisory services. Under the management agreement the Company has received $0.2 million in fees for the year ended August 31, 2010. The contract placement fee is accounted for under the equity method and is recorded in Intangibles and other assets on the Consolidated Balance Sheet.

Note 21 - Employee Benefit Plans

A defined contribution plan is available to substantially all United States employees. Contributions are based on a percentage of employee contributions and amounted to $2.0 million, $1.6 million and $1.8 million for the years ended August 31, 2010, 2009 and 2008.

Nonqualified deferred benefit plans exist for certain employees. Expenses resulting from contributions to the plans were insignificant for the years ended August 31, 2010 and 2009, and $1.6 million for the year ended August 31, 2008.

In accordance with Mexican labor law, under certain circumstances, the Company provides seniority premium benefits to its employees. These benefits consist of a one-time payment equivalent to 12 days wages for each year of service (at the employee s most recent salary, but not to exceed twice the legal minimum wage), payable to all employees with 15 or more years of service, as well as to certain employees terminated involuntarily prior to the vesting of their seniority premium benefit.

Mexican labor law also requires the Company to provide statutorily mandated severance benefits to Mexican employees terminated under certain circumstances. Such benefits consist of a one-time payment of three months wages plus 20 days wages for each year of service payable upon involuntary termination without just cause. Costs associated with these benefits are provided for based on actuarial computations using the projected unit credit method.

Note 22 - Income Taxes

Components of income tax expense (benefit) of continuing operations are as follows:

	Years Ended August 31,		
(In thousands)	**2010**	**2009**	**2008**
Current			
Federal	$ (9,471)	$ (4,555)	$ 359
State	(2,191)	470	860
Foreign	712	532	4,154
	(10,950)	(3,553)	5,373
Deferred			
Federal	10,059	(11,016)	11,517
State	1,745	(1,024)	1,369
Foreign	(933)	723	7,345
	10,871	(11,317)	20,231
Change in valuation allowance	(880)	(2,047)	(8,445)
	$ (959)	$ (16,917)	$ 17,159

Income tax expense is computed at rates different than statutory rates. The reconciliation between effective and statutory tax rates on continuing operations is as follows:

	Years Ended August 31,		
(In thousands)	**2010**	**2009**	**2008**
Federal statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	10.7	3.5	7.0
Impact of foreign operations	(0.1)	0.4	1.5
Release of obligations in the bankruptcy of the de-consolidated subsidiary	(51.8)		
Change in valuation allowance related to deferred tax asset	(9.8)	2.8	(27.7)
Reversal of Canadian subsidiary s deferred tax asset			31.7
Loss of benefit from the closing of TrentonWorks			12.9
Change in income tax reserve for uncertain tax positions	4.1	1.8	
Reversal of net deferred tax liability on the basis difference in a foreign subsidiary		2.4	
Noncontrolling interest in flow through entity	(17.7)		
Non-deductible goodwill write-off		(23.1)	

Permanent differences	9.4	2.1	2.8
Other	9.5	(2.1)	(6.9)
	(10.7)%	22.8%	56.3%

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities are as follows:

	Years Ended August 31,	
(In thousands)	**2010**	**2009**
Deferred tax assets:		
Contract placement	$ (526)	$
Maintenance and warranty accruals	(6,352)	(7,337)
Accrued payroll and related liabilities	(7,062)	(5,829)
Deferred revenue	(6,712)	(9,676)
Inventories and other	(3,878)	(6,102)
Derivative instruments and translation adjustment	(2,068)	(257)
Investment and asset tax credits	(884)	(671)
Net operating loss	(10,460)	(15,888)
	(37,942)	(45,760)
Deferred tax liabilities:		
Fixed assets	89,341	83,002
Original issue discount	8,707	
Intangibles	9,954	9,983
Debt conversion option		6,669
Deferred gain on redemption of debt	4,512	
Other	156	8,017
	112,670	107,671
Valuation allowance	6,408	7,288
Net deferred tax liability	$ 81,136	$ 69,199

For the year ended August 31, 2010, the Company generated a net operating loss (NOL) of approximately $17.8 million for U.S. federal income tax purposes, $9.7 million of which will be carried back to 2008. The remaining NOL of $8.1 million will be carried forward. On September 27, 2010, legislation was adopted that provides an additional year of bonus depreciation which will increase the Company s NOL from $17.8 million to $20.5 million.

The Company also had NOL carryforwards of approximately $21.2 million for foreign income tax purposes. The ultimate realization of the deferred tax assets resulting from NOL s is dependent upon the generation of future taxable income before these carryforwards expire. Net operating losses in Poland of $9.2 million expire between 2012 and 2013. Net operating losses in Mexico of $12.0 million expire between 2017 and 2020.

The cumulative net decrease in the valuation allowance for the year ended August 31, 2010 was approximately $0.9 million. The decrease in the valuation allowance is mainly due to a decrease in the Polish subsidiary s overall deferred tax assets for which a full valuation allowance is provided.

As a result of certain realization requirements of ASC Topic 718, the table of deferred tax assets and liabilities shown above does not include certain deferred tax liabilities at August 31, 2010 and 2009 that arose directly from tax deductions related to equity compensation in excess of compensation recognized for financial reporting. The Company uses tax law ordering for purposes of determining when excess tax benefits have been realized.

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits for the year.

(In thousands)	**2010**	**2009**	**2008**
Unrecognized Tax Benefit Opening Balance	$ 2,959	$ 12,832	$ 11,839
Gross increases tax positions in prior period	200	533	993
Gross decreases tax positions in prior period			
Gross increases tax positions in current period			
Settlements			
Restoration of statute of limitations due to 5 year NOL carry back	1,809		
Lapse of statute of limitations	(1,442)	(10,406)	
Unrecognized Tax Benefit Ending Balance	$ 3,526	$ 2,959	$ 12,832

The Company is subject to taxation in the U.S., various states and foreign jurisdictions. The Companies tax returns for 2004 through 2010 are subject to examination by the tax authorities. The Company is no longer subject to U.S. Federal, State, Local or Foreign examinations by tax authorities for years before 2004. Included in the balance of unrecognized tax benefits at August 31, 2010 and 2009 are $2.3 million and $2.0 million, respectively, of tax benefits, which if recognized would affect the effective tax rate.

The Company recorded additional interest expense of $0.2 million and $0.3 million relating to reserves for uncertain tax provisions during the years ended August 31, 2010 and 2009. As of August 31, 2010 and 2009 the Company had accrued $1.2 million and $1.0 million of interest related to uncertain tax positions. The Company has accrued no penalties as of August 31, 2010 and 2009. The Company restored $1.3 million of reserves and $0.5 million of related accrued interest for uncertain tax provisions during the tax years for which the statue of limitations previously expired. These were restored due to the Company s election to carry back prior year s net operating loss for five years for U.S. tax purposes. The Company reversed $1.4 million of reserves and related accrued interest for the items that were no longer subject to examination by the tax authorities. The $1.4 million reversal resulted in an income tax benefit of $0.9 million and a reduction of interest expense of $0.5 million. Interest and penalties related to income taxes are not classified as a component of income tax expense. When unrecognized tax benefits are realized, the benefit related to deductible differences attributable to ordinary operations will be recognized as a reduction of income tax expense. The benefit related to the deductible difference attributable to purchase accounting will also be recognized as a reduction of income tax expense and will not go to goodwill. Within the next 12 months the Company does not expect any significant changes in the reserves for uncertain tax positions but expects an increase in interest expense of $0.3 million.

U.S. income taxes have not been provided for approximately $5.9 million of cumulative undistributed earnings of certain foreign subsidiaries as Greenbrier plans to reinvest these earnings indefinitely in operations outside the U.S. Generally, such amounts become subject to U.S. taxation upon the remittance of dividends and under certain other circumstances. It is not practicable to estimate the amount of deferred tax liability related to investments in foreign subsidiaries.

Note 23 - Segment Information

Greenbrier currently operates in three reportable segments: Manufacturing, Wheel Services, Refurbishment & Parts and Leasing & Services. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Performance is evaluated based on margin. Intersegment sales and transfers are accounted for as if the sales or transfers were to third parties. While intercompany transactions are treated the same as third-party transactions to evaluate segment performance, the revenues and related expenses are eliminated in consolidation and therefore do not impact consolidated results.

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The information in the following tables is derived directly from the segments internal financial reports used for corporate management purposes. Unallocated assets primarily consist of cash and short-term investments.

	Years Ended August 31,		
(In thousands)	**2010**	**2009**	**2008**
Revenue:			
Manufacturing	$ 305,333	$ 470,834	$ 724,072
Wheel Services, Refurbishment & Parts	404,321	480,425	535,031
Leasing & Services	79,733	79,684	98,041
Intersegment eliminations	(24,937)	(12,818)	(67,065)
	$ 764,450	$ 1,018,125	$ 1,290,079
Margin:			
Manufacturing	$ 27,171	$ 3,763	$ 11,214
Wheel Services, Refurbishment & Parts	45,539	55,870	101,283
Leasing & Services	37,458	33,474	49,746
	$ 110,168	$ 93,107	$ 162,243
Assets:			
Manufacturing	$ 205,863	$ 197,603	$ 325,632
Wheel services, Refurbishment & Parts	387,356	386,260	519,575
Leasing & Services	377,761	386,659	403,889
Unallocated	101,908	77,769	7,864
	$ 1,072,888	$ 1,048,291	$ 1,256,960
Depreciation and amortization:			
Manufacturing	$ 11,061	$ 11,471	$ 11,267
Wheel Services, Refurbishment & Parts	11,435	11,885	10,338
Leasing & Services	15,015	14,313	13,481
	$ 37,511	$ 37,669	$ 35,086
Capital expenditures:			
Manufacturing	$ 8,715	$ 9,109	$ 24,113
Wheel Services, Refurbishment & Parts	12,215	6,599	7,651
Leasing & Services	18,059	23,139	45,880
	$ 38,989	$ 38,847	$ 77,644

The following table summarizes selected geographic information.

Years Ended August 31,

(In thousands)	**2010**	**2009**	**2008**
Revenue:			
United States	$ 667,867	$ 851,450	$ 1,058,418
Foreign	96,583	166,675	231,661
	$ 764,450	$ 1,018,125	$ 1,290,079
Identifiable assets:			
United States	$ 918,553	$ 897,111	$ 1,012,585
Mexico	115,721	95,149	130,295
Europe	38,614	56,031	114,080
	$ 1,072,888	$ 1,048,291	$ 1,256,960

Reconciliation of segment margin to earnings before income tax, noncontrolling interest and earnings (loss) from unconsolidated affiliates:

	Years Ended August 31,		
(In thousands)	**2010**	**2009**	**2008**
Segment margin	$ 110,168	$ 93,107	$ 162,243
Less unallocated expenses:			
Selling and administrative	69,931	65,743	85,133
Interest and foreign exchange	43,134	45,912	44,320
Special items	(11,870)	55,667	2,302
Earnings (loss) before income tax and earnings (loss) from unconsolidated affiliates	$ 8,973	$ (74,215)	$ 30,488

Note 24 - Customer Concentration

In 2010, one customer represented 16% of total revenue, a second customer represented 15% of total revenue and a third customer represented 11% of total revenue. Revenue from two customers each represented 14% of total revenue for the year ending August 31, 2009 and revenue from two customers was 26% and 11% of total revenue for the year ended August 31, 2008. No other customers accounted for more than 10% of total revenues for the years ended August 31, 2010, 2009, or 2008. Only one customer had a balance that equaled or exceeded 10% of accounts receivable and in total represented 12% of the consolidated accounts receivable balance at August 31, 2010.

Note 25 - Lease Commitments

Lease expense for railcar equipment leased-in under non-cancelable leases was $8.2 million, $10.3 million and $11.6 million for the years ended August 31, 2010, 2009 and 2008. Aggregate minimum future amounts payable under these non-cancelable railcar equipment leases are as follows:

(In thousands)	
Year ending August 31,	
2011	$ 6,711
2012	3,708
Thereafter	
	$ 10,419

Operating leases for domestic railcar repair facilities, office space and certain manufacturing and office equipment expire at various dates through November 2016. Rental expense for facilities, office space and equipment was $12.4 million, $12.5 million and $12.3 million for the years ended August 31, 2010, 2009 and 2008. Aggregate minimum future amounts payable under these non-cancelable operating leases are as follows:

(In thousands)

Year ending August 31,		
2011	$	6,781
2012		3,679
2013		2,205
2014		1,488
2015		1,318
Thereafter		1,591
	$	17,062

Note 26 - 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 130 other parties have received a General Notice of potential liability from the EPA relating to the Portland Harbor Site. The letter advised the Company that it may be liable for the costs of investigation and remediation (which liability may be joint and several with other potentially responsible parties) as well as for natural resource damages resulting from releases of hazardous substances to the site. At this time, ten private and public entities, including the Company, have signed an Administrative Order on Consent (AOC) to perform a remedial investigation/feasibility study (RI/FS) of the Portland Harbor Site under EPA oversight, and several additional entities have not signed such consent, but are nevertheless contributing money to the effort. A draft of the RI study was submitted on October 27, 2009. The Feasibility Study is being developed and is expected to be submitted in the third calendar quarter of 2011. Eighty-two parties have entered into a non-judicial mediation process to try to allocate costs associated with the Portland Harbor site. Approximately 110 additional parties have signed tolling agreements related to such allocations. On April 23, 2009, the Company and the other AOC signatories filed suit against 69 other parties due to a possible limitations period for some such claims; *Arkema Inc. et al v. A & C Foundry Products, Inc.et al,* US District Court, District of Oregon, Case #3:09-cv-453-PK. All but 12 of these parties elected to sign tolling agreements and be dismissed without prejudice, and the case has now been stayed by the court, pending completion of the RI/FS. In addition, the Company has entered into a Voluntary Clean-Up Agreement with the Oregon Department of Environmental Quality in which the Company agreed to conduct an investigation of whether, and to what extent, past or present operations at the Portland property may have released hazardous substances to the environment. The Company is also conducting groundwater remediation relating to a historical spill on the property which antedates its ownership.

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

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

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

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

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

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

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

The Company has entered into contingent rental assistance agreements, aggregating $5.9 million, on certain railcars subject to leases that have been sold to third parties. These agreements guarantee the purchasers a minimum lease rental, subject to a maximum defined rental assistance amount, over remaining periods of up to two years. A liability is established and revenue is reduced in the period during which a determination can be made that it is probable that a rental shortfall will occur and the amount can be estimated. For the years ended August 31, 2010 and 2008 an accrual of $0.2 million and $1.2 million was recorded to cover future obligations. For the year ended August 31, 2009 no accrual was made to cover estimated obligations as management determined no additional rental shortfall was probable. The remaining balance of the accrued liability was $30 thousand as of August 31, 2010. All of these agreements were entered into prior to December 31, 2002 and have not been modified since.

In accordance with customary business practices in Europe, the Company has $9.1 million in bank and third party performance and warranty guarantee facilities, all of which have been utilized as of August 31, 2010. To date no amounts have been drawn under these performance and warranty guarantee facilities.

At August 31, 2010, an unconsolidated affiliate had $0.7 million of third party debt, for which the Company has guaranteed 33% or approximately $0.2 million. In the event that there is a change in control or insolvency by any of the three 33% investors that have guaranteed the debt, the remaining investors share of the guarantee will increase proportionately.

As of August 31, 2010 the Company had outstanding letters of credit aggregating $3.6 million associated with facility leases and payroll.

Note 27 - Fair Value of Financial Instruments

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

(In thousands)	**Carrying Amount**	**Estimated Fair Value**
Notes payable as of August 31, 2010	$ 498,700	$ 482,589
Notes payable as of August 31, 2009	$ 525,149	$ 508,372

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

Note 28 - Fair Value Measures

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

Level 1 - observable inputs such as unadjusted quoted prices in active markets for identical instruments;

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

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

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

(In thousands)	**Total**	**Level 1**	**Level 2[(1)]**	**Level 3**
Assets:				
Derivative financial instruments	$ 684	$	$ 684	$
Nonqualified savings plan	6,489	6,489		
Money market investments	57,300	57,300		
	$ 64,473	$ 63,789	$ 684	$
Liabilities:				
Derivative financial instruments	$ 5,370	$	$ 5,370	$

(1) Level 2 assets include derivative financial instruments which are valued based on significant observable inputs. See note 17 Derivative Instruments for further discussion.

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

(In thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets:				
Goodwill	$ 137,066	$	$	$ 137,066
Liabilities:				
Warrants	$ 7,484	$	$	$ 7,484

Note 29 - Guarantor/Non Guarantor

The combined senior unsecured notes (the Notes) issued on May 11, 2005 and November 21, 2005 and convertible senior notes issued on May 22, 2006 are fully and unconditionally and jointly and severally guaranteed by substantially all of Greenbrier s material 100% owned United States subsidiaries: Autostack Company LLC, Greenbrier-Concarril, LLC, Greenbrier Leasing Company LLC, Greenbrier Leasing Limited Partner, LLC, Greenbrier Management Services, LLC, Greenbrier Leasing, L.P., Greenbrier Railcar LLC, Gunderson LLC, Gunderson Marine LLC, Gunderson Rail Services LLC, Meridian Rail Holding Corp., Meridian Rail Acquisition Corp., Meridian Rail Mexico City Corp., Brandon Railroad LLC, Gunderson Specialty Products, LLC and Greenbrier Railcar Leasing, Inc. No other subsidiaries guarantee the Notes including Greenbrier Leasing Limited, Greenbrier Europe B.V., Greenbrier Germany GmbH, WagonySwidnica S.A., Gunderson-Concarril, S.A. de C.V., Mexico Meridian Rail Services, S.A. de C.V., Greenbrier Railcar Services Tierra Blanca S.A. de C.V., YSD Doors, S.A. de C.V., Greenbrier-Gimsa, LLC and Gunderson-Gimsa S de RL de C.V.

The following represents the supplemental consolidating condensed financial information of Greenbrier and its guarantor and non guarantor subsidiaries, as of August 31, 2010 and 2009 and for the years ended August 31, 2010, 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. Certain reclassifications between Combined Non Guarantor Subsidiaries and Eliminations have been made to prior year s condensed consolidating statements to conform to the current year presentation.

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The Greenbrier Companies, Inc.
Condensed Consolidating Balance Sheet
For the year ended August 31, 2010

(In thousands)	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	$ 91,472	$ 859	$ 6,533	$	$ 98,864
Restricted cash		2,525			2,525
Accounts receivable	33,001	45,154	11,094	3	89,252
Inventories		121,557	64,047		185,604
Assets held for sale		28,357	3,469		31,826
Investment in direct finance leases		1,795			1,795
Equipment on operating leases, net		304,872		(2,209)	302,663
Property, plant and equipment, net	6,710	89,246	36,658		132,614
Goodwill		137,066			137,066
Intangibles and other assets	525,539	96,680	2,384	(533,924)	90,679
	$ 656,722	$ 828,111	$ 124,185	$ (536,130)	$ 1,072,888
Liabilities and Equity					
Revolving notes	$	$	$ 2,630	$	$ 2,630
Accounts payable and accrued liabilities	11,180	112,454	58,001	3	181,638
Deferred income taxes	728	87,582	(6,685)	(489)	81,136
Deferred revenue	621	9,693	1,063		11,377
Notes payable	358,255	139,029	1,416		498,700
Total equity Greenbrier	285,938	479,353	56,291	(535,644)	285,938
Noncontrolling interest			11,469		11,469
Total equity	285,938	479,353	67,760	(535,644)	297,407
	$ 656,722	$ 828,111	$ 124,185	$ (536,130)	$ 1,072,888

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The Greenbrier Companies, Inc.
Condensed Consolidating Statement of Operations
For the year ended August 31, 2010

(In thousands)	**Parent**	**Combined Guarantor Subsidiaries**	**Combined Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Revenue					
Manufacturing	$	$ 74,526	$ 242,771	$ (21,731)	$ 295,566
Wheel Services, Refurbishment & Parts		396,680	1,584	(8,203)	390,061
Leasing & Services	1,803	78,556		(1,536)	78,823
	1,803	549,762	244,355	(31,470)	764,450
Cost of revenue					
Manufacturing		69,872	218,890	(20,367)	268,395
Wheels Services, Refurbishment & Parts		351,565	1,160	(8,203)	344,522
Leasing & Services		41,438		(73)	41,365
		462,875	220,050	(28,643)	654,282
Margin	1,803	86,887	24,305	(2,827)	110,168
Other costs					
Selling and administrative	33,441	21,263	15,227		69,931
Interest and foreign exchange	36,796	4,191	3,687	(1,540)	43,134
Special items	(11,870)				(11,870)
	58,367	25,454	18,914	(1,540)	101,195
Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates	(56,564)	61,433	5,391	(1,287)	8,973
Income tax (expense) benefit	24,143	(25,144)	1,710	250	959
	(32,421)	36,289	7,101	(1,037)	9,932
Earnings (loss) from unconsolidated affiliates	36,698	(6,179)		(32,120)	(1,601)
Net earnings (loss)	4,277	30,110	7,101	(33,157)	8,331
Net loss (earnings) attributable to noncontrolling interest			(4,734)	680	(4,054)
Net earnings (loss) attributable to Greenbrier	$ 4,277	$ 30,110	$ 2,367	$ (32,477)	$ 4,277

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The Greenbrier Companies, Inc.
Condensed Consolidating Statement of Cash Flows
For the year ended August 31, 2010

(In thousands)	**Parent**	**Combined Guarantor Subsidiaries**	**Combined Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Cash flows from operating activities:					
Net earnings (loss)	$ 4,277	$ 30,110	$ 7,101	$ (33,157)	$ 8,331
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:					
Deferred income taxes	5,898	10,045	427	(1,318)	15,052
Depreciation and amortization	2,063	28,241	7,280	(73)	37,511
Gain on sales of equipment		(6,543)			(6,543)
Special items	(11,870)				(11,870)
Accretion of debt discount	8,581				8,581
Gain on extinguishment of debt	(3,218)				(3,218)
Other	5,175	354	(1,972)	680	4,237
Decrease (increase) in assets:					
Accounts receivable	(9,292)	17,743	12,914	1,065	22,430
Inventories		(20,457)	(23,819)		(44,276)
Assets held for sale		3,100	(3,277)		(177)
Other	1,364	6,773	(966)		7,171
Increase (decrease) in liabilities:					
Accounts payable and accrued liabilities	3,143	(9,134)	18,765	3	12,777
Deferred revenue	(155)	(8,353)	1,063		(7,445)
Net cash provided by (used in) operating activities	5,966	51,879	17,516	(32,800)	42,561
Cash flows from investing activities:					
Principal payments received under direct finance leases		390			390
Proceeds from sales of equipment		22,978			22,978
Investment in and net advances to unconsolidated affiliates	(36,697)	3,650		32,120	(927)
Intercompany advances	7,866			(7,866)	
Contract placement fee		(6,050)			(6,050)
Decrease (increase) in restricted cash		(1,442)			(1,442)
Capital expenditures	(3,645)	(30,430)	(5,594)	680	(38,989)
Other		(130)			(130)
Net cash provided by (used in) investing activities	(32,476)	(11,034)	(5,594)	24,934	(24,170)

Cash flows from financing activities:					
Net changes in revolving notes with maturities of 90 days or less			(11,934)		(11,934)
Proceeds from revolving notes with maturities longer than 90 days			5,698		5,698
Repayment of revolving notes with maturities longer than 90 days			(5,698)		(5,698)
Intercompany advances	33,850	(34,061)	(7,655)	7,866	
Net proceeds from issuance of notes payable		328	1,712		2,040
Repayments of notes payable	(32,090)	(5,772)	(405)		(38,267)
Net proceeds from equity offering	52,708				52,708
Other	29				29
Net cash provided by (used in) financing activities	54,497	(39,505)	(18,282)	7,866	4,576
Effect of exchange rate changes		(902)	612		(290)
Increase (decrease) in cash and cash equivalents	27,987	438	(5,748)		22,677
Cash and cash equivalents					
Beginning of period	63,485	421	12,281		76,187
End of period	$ 91,472	$ 859	$ 6,533	$	$ 98,864

The Greenbrier Companies, Inc.
Condensed Consolidating Balance Sheet
For the year ended August 31, 2009

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

The Greenbrier Companies, Inc.
Condensed Consolidating Statement of Operations
For the year ended August 31, 2009

(In thousands)	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue					
Manufacturing	$ 547	$ 227,404	$ 336,399	$ (101,854)	$ 462,496
Wheels Service, Refurbishment & Parts		476,133	31		476,164
Leasing & Services	1,314	78,899		(748)	79,465
	1,861	782,436	336,430	(102,602)	1,018,125
Cost of revenue					
Manufacturing	124	230,848	328,761	(101,000)	458,733
Wheel Services, Refurbishment & Parts		420,261	33		420,294
Leasing & Services		46,056		(65)	45,991
	124	697,165	328,794	(101,065)	925,018
Margin	1,737	85,271	7,636	(1,537)	93,107
Other costs					
Selling and administrative	31,169	24,729	9,845		65,743
Interest and foreign exchange	34,013	5,316	8,156	(1,573)	45,912
Special charges		55,531		136	55,667
	65,182	85,576	18,001	(1,437)	167,322
Loss before income taxes and earnings (loss) from unconsolidated affiliates	(63,445)	(305)	(10,365)	(100)	(74,215)
Income tax (expense) benefit	29,821	(16,573)	2,606	1,063	16,917
	(33,624)	(16,878)	(7,759)	963	(57,298)
Earnings (loss) from unconsolidated affiliates	(22,767)	(7,150)		29,352	(565)
Net earnings (loss)	(56,391)	(24,028)	(7,759)	30,315	(57,863)
Net loss attributable to noncontrolling interest			2,202	(730)	1,472
Net earnings (loss) attributable to Greenbrier	$ (56,391)	$ (24,028)	$ (5,557)	$ 29,585	$ (56,391)

The Greenbrier Companies, Inc.
Condensed Consolidating Statement of Cash Flows
For the year ended August 31, 2009

(In thousands)	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net earnings (loss)	$ (56,391)	$ (24,028)	$ (7,759)	$ 30,315	$ (57,863)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:					
Deferred income taxes	(16,609)	5,820	(2,800)	290	(13,299)
Depreciation and amortization	1,544	28,797	7,393	(65)	37,669
Gain on sales of equipment		(692)		(475)	(1,167)
Special items		55,531		136	55,667
Accretion of debt discount	4,948				4,948
Other		3,402	2,111	(1,930)	3,583
Decrease (increase) in assets:					
Accounts receivable	(6,940)	75,691	(9,163)	(1,067)	58,521
Inventories		42,456	56,295		98,751
Assets held for sale		14,875	6,966		21,841
Other	(277)	1,614	6,028	(6,208)	1,157
Increase (decrease) in liabilities:					
Accounts payable and accrued liabilities	15,522	(58,533)	(44,199)	696	(86,514)
Deferred revenue	(155)	1,202	(3,876)		(2,829)
Net cash provided by (used in) operating activities	(58,358)	146,135	10,996	21,692	120,465
Cash flows from investing activities:					
Principal payments received under direct finance leases		429			429
Proceeds from sales of equipment		15,555			15,555
Investment in and net advances to unconsolidated affiliates	15,359	6,585		(21,944)	
Intercompany advances	(26,958)			26,958	
Decrease (increase) in restricted cash		(1,083)	974		(109)
Capital expenditures	(2,699)	(30,642)	(5,758)	252	(38,847)
Net cash provided by (used in) investing activities	(14,298)	(9,156)	(4,784)	5,266	(22,972)
Cash flows from financing activities:					
Net changes in revolving notes with maturities of 90 days or less	(65,000)		(16,251)		(81,251)
Intercompany advances	133,592	(126,496)	19,862	(26,958)	

Net proceeds from issuance of notes payable	69,768				69,768
Repayments of notes payable	(4,339)	(8,183)	(3,914)		(16,436)
Investment by joint venture partner			1,400		1,400
Dividends paid	(2,001)				(2,001)
Other	3,973				3,973
Net cash provided by (used in) financing activities	135,993	(134,679)	1,097	(26,958)	(24,547)
Effect of exchange rate changes	148	(3,472)	608		(2,716)
Increase (decrease) in cash and cash equivalents	63,485	(1,172)	7,917		70,230
Cash and cash equivalents					
Beginning of period		1,593	4,364		5,957
End of period	$ 63,485	$ 421	$ 12,281	$	$ 76,187

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The Greenbrier Companies, Inc.
Condensed Consolidating Statement of Operations
For the year ended August 31, 2008

(In thousands)	**Parent**	**Combined Guarantor Subsidiaries**	**Combined Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Revenue					
Manufacturing	$ 1,869	$ 368,285	$ 543,526	$ (248,587)	$ 665,093
Wheel Services, Refurbishment & Parts		527,413	53		527,466
Leasing & Services	1,162	96,854		(496)	97,520
	3,031	992,552	543,579	(249,083)	1,290,079
Cost of revenue					
Manufacturing	600	371,940	529,743	(248,404)	653,879
Wheel Services, Refurbishment & Parts		426,138	45		426,183
Leasing & Services		47,836		(62)	47,774
	600	845,914	529,788	(248,466)	1,127,836
Margin	2,431	146,638	13,791	(617)	162,243
Other costs					
Selling and administrative	32,927	35,601	16,606	(1)	85,133
Interest and foreign exchange	31,593	5,946	7,280	(499)	44,320
Special items			2,302		2,302
	64,520	41,547	26,188	(500)	131,755
Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates	(62,089)	105,091	(12,397)	(117)	30,488
Income tax (expense) benefit	27,018	(42,194)	(3,146)	1,163	(17,159)
	(35,071)	62,897	(15,543)	1,046	13,329
Earnings (loss) from unconsolidated affiliates	52,454	4,359		(55,941)	872
Net earnings (loss)	17,383	67,256	(15,543)	(54,895)	14,201
Net loss attributable to noncontrolling interest			4,245	(1,063)	3,182
Net earnings (loss) attributable to Greenbrier	$ 17,383	$ 67,256	$ (11,298)	$ (55,958)	$ 17,383

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The Greenbrier Companies, Inc.
Condensed Consolidating Statement of Cash Flows
For the year ended August 31, 2008

(In thousands)	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net earnings (loss)	$ 17,383	$ 67,256	$ (15,543)	$ (54,895)	$ 14,201
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:					
Deferred income taxes	37	12,165	(1,352)	678	11,528
Depreciation and amortization	668	27,501	6,979	(62)	35,086
Gain on sales of equipment		(8,007)		(3)	(8,010)
Special items			2,302		2,302
Accretion of debt discount	3,550				3,550
Other	(136)	428	1,150	(1,052)	390
Decrease (increase) in assets:					
Accounts receivable	4	(6,538)	(1,084)	(3)	(7,621)
Inventories		(25,099)	(4,593)		(29,692)
Assets held for sale		(17,525)	6,904		(10,621)
Other	1,086	(3,638)	19,123	(19,271)	(2,700)
Increase (decrease) in liabilities:					
Accounts payable and accrued liabilities	20,108	3,375	(987)	(695)	21,801
Deferred revenue	(155)	9,257	(7,198)		1,904
Net cash provided by (used in) operating activities	42,545	59,175	5,701	(75,303)	32,118
Cash flows from investing activities:					
Principal payments received under direct finance leases		375			375
Proceeds from sales of equipment		14,598			14,598
Investment in and net advances to unconsolidated affiliates	(71,735)	(2,629)		75,222	858
Acquisitions, net of cash acquired		(91,166)			(91,166)
De-consolidation of subsidiary			(1,217)		(1,217)
Decrease in restricted cash			2,046		2,046
Capital expenditures	(2,379)	(55,922)	(19,434)	91	(77,644)
Net cash provided by (used in) investing activities	(74,114)	(134,744)	(18,605)	75,313	(152,150)
Cash flows from financing activities:					
Net changes in revolving notes with maturities of 90 days or less	65,000		(9,486)		55,514

Intercompany advances	(42,735)	31,576	11,159		
Proceeds from issuance of notes payable		49,613			49,613
Repayments of notes payable	(1,349)	(4,278)	(1,292)		(6,919)
Investment by joint venture partner			6,600		6,600
Dividends paid	(5,261)				(5,261)
Other	3,931				3.931
Net cash provided by financing activities	19,586	76,911	6,981		103,478
Effect of exchange rate changes	(3,439)	251	4,901	(10)	1,703
Increase (decrease) in cash and cash equivalents	(15,422)	1,593	(1,022)		(14,851)
Cash and cash equivalents					