ANGEION CORP/MN
Form 10KSB
January 29, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20509

FORM 10-KSB

x **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Fiscal Year Ended October 31, 2006.**

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. 001-13543

ANGEION CORPORATION

(Name of Small Business Issuer in its charter)

Minnesota	**41-1579150**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

350 Oak Grove Parkway, Saint Paul, Minnesota 55127-8599

(Address of principal executive offices)

Issuer s telephone number, including area code: **(651) 484-4874**

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

Common Stock, $0.10 Par Value

Warrants for Common Stock Purchase Rights

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

None

Check whether the issuer filed all reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act of 1934 after distribution of securities under a plan confirmed by a court: Yes x No o

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. o

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 o

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB. o

The issuer s revenues for the year ended October 31, 2006 were $33,651,000.

The aggregate market value of the issuer s common stock held by non-affiliates of the issuer as of January 19, 2007 was approximately $61.5 million based upon the closing sale price for the issuer s common stock on that date as reported by the Nasdaq Capital Market.

There were 3,856,751 shares of the issuer s Common Stock, $0.10 par value per share, outstanding as of January 19, 2007.

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

Documents Incorporated By Reference: None.

PART I

Item 1. **Description of Business.**

Unless the context requires otherwise, references in this Form 10-KSB to Angeion or the Company means Angeion Corporation, while references to Medical Graphics refers to Medical Graphics Corporation, a wholly owned subsidiary of Angeion. Angeion acquired Medical Graphics in December 1999. For periods after December 21, 1999, Angeion and Medical Graphics are collectively referred to as the Company.

(a) **General Development of Business.**

Events Prior to 2000

Angeion Corporation was incorporated in Minnesota during May 1986 for the purpose of developing, manufacturing and selling medical products. In July 1988, Angeion merged with Verde Ventures Incorporated, a public company organized in March 1987 that had no operations at the time of the merger and the surviving legal entity changed its name to Angeion Corporation.

During the period from 1990 through March 2000, Angeion was engaged in the development and sale, directly and through joint ventures of automatic implantable cardioverter defibrillator (ICD) systems. ICDs are designed to treat abnormally rapid heartbeats in the ventricular (or lower) chambers of the heart, a condition known as ventricular tachycardia (VT), and a severe form of VT known as ventricular fibrillation (VF), that if not terminated will lead to sudden cardiac death. ICDs are electronic devices that are implanted within the body and are connected to the heart with defibrillator leads. These devices monitor the patient s heartbeat and, in the event of VT or VF, deliver an electrical shock to return the heartbeat to normal rhythm. During 1999 and 2000, the Company completed two restructurings, granted a series of non-exclusive licenses to its ICD technology and discontinued its ICD operations.

In December 1999, Angeion acquired Medical Graphics Corporation.

Subsequent Developments.

- In March 2000, Angeion acquired the operating assets of AeroSport, Inc., a privately-held Ann Arbor, Michigan corporation, and obtained an exclusive worldwide license to AeroSport s patented technology for gas exchange metabolic analyzers for the health, fitness, and research and education markets.

- During 2001, Angeion introduced the New Leaf brand as the umbrella brand name for its planned family of health and fitness products to be marketed to consumers through health and fitness clubs, cardiac rehabilitation centers, weight loss centers and other retail outlets.

- On June 17, 2002, Angeion filed a voluntary petition for reorganization under Chapter 11 of the federal bankruptcy laws (Chapter 11 or Bankruptcy Case) in the United States Bankruptcy Court for the District of Minnesota and in the process converted $20.0 million of Convertible Notes into 95% of the Company common stock. Angeion emerged from Bankruptcy in October 2002.

- In June 2002, Angeion received a notification that some of the ICDs formerly manufactured by it were experiencing premature battery depletion. Angeion advised the attending physicians of the patients with these ICDs of the problems associated with these ICDs and provided a recommended

protocol. During fiscal 2005, Angeion resolved all matters relating to indemnification by Angeion of its former joint venture partner in the manufacture and distribution of ICDs and, during fiscal 2006, Angeion resolved all issues related to its insurance coverage in this matter. Angeion incurred a loss from discontinued operation of $229,000 in fiscal 2005 and a gain of $171,000 from discontinued operation in fiscal 2006 related to its former ICD operations.

(b) Financial Information about Industry Segments.

The Company is a medical device manufacturer that designs and markets non-invasive cardiorespiratory diagnostic systems. All of the Company s cardiorespiratory diagnostic products are similar because they have a common functional testing platform the measurement of air flow and respiratory pressures and, in most cases, the analysis of inhaled and exhaled gases such as oxygen and carbon dioxide. Consequently, the Company operates in a single industry segment: the research, development, manufacture and marketing of medical devices and fitness related products, including non-invasive cardiorespiratory diagnostic systems.

(c) Narrative Description of Business.

General

Through its Medical Graphics Corporation subsidiary, Angeion designs and markets non-invasive cardiorespiratory diagnostic systems that are sold under the MedGraphics and New Leaf brand and trade names. These cardiorespiratory diagnostic systems have a wide range of applications in healthcare, wellness and health and fitness.

Healthcare professionals use these cardiorespiratory diagnostic systems products to diagnose shortness of breath and lung diseases such as asthma and emphysema, and manage related treatment. Through breath-by-breath analysis, some of the Company s cardiorespiratory diagnostic systems measure fitness or conditioning levels to help physicians diagnose heart diseases such as heart failure and coronary disease. The Company sells its cardiorespiratory diagnostic systems and services to clinical research customers for use in conducting safety and efficacy clinical trial studies both in the United States and internationally. Other health professionals use cardiorespiratory diagnostic systems to measure calorie consumption and to prescribe safe and effective exercise in rehabilitation, weight management, general fitness, and athletic performance. All of these applications are accomplished by measuring air flow and the concentrations of inhaled and exhaled gases such as oxygen and carbon dioxide while a person is at rest, or exercising on a bike or treadmill. Professionals use this same assessment of gases and air flow to determine nutritional requirements of critically ill patients in a hospital or to design a weight loss program for members in a health club wishing to assess the number of calories they should consume and burn daily.

Primary MedGraphics brand products include pulmonary function (PFT) and cardiopulmonary exercise (CPX) testing systems. All MedGraphics systems operate with its proprietary BreezeSuite Windows2000/XP/Vista compatible software, which is designed to be simple and easy-to-use while at the same time provide the flexibility to address the specific needs of hospitals, clinics and physician offices. This software provides a common platform for all MedGraphics cardiorespiratory products. All MedGraphics products, except for certain OEM products, are sold with a personal computer, full color monitor, printer and other peripherals.

The Company also sells one of its cardiorespiratory diagnostic systems together with other consumable products under the New Leaf brand to consumers through health and fitness clubs, personal training studios, weight loss centers and other retail outlets. These fitness products provide the consumer

with a personalized exercise plan based on an assessment of the individual s level of fitness and metabolism. The assessment is performed at a health club or personal training studio equipped with one of the Company s VO_2 assessment systems. Through the New Leaf assessment, an individual s metabolism is measured and correlated to the heart rate while exercising. The participating consumer must purchase an assessment package containing the single user materials required for the VO_2 assessment and, optionally, a heart rate monitor and watch to help the user exercise at the correct intensity level to achieve the desired results for weight loss, general fitness improvement or athletic performance.

Pulmonary Function Systems

Health care professionals use assessment of pulmonary function to diagnose lung diseases such as asthma and emphysema, and manage treatment of their patients. Pulmonary function applications include screening asthma patients, pre-operative and post-operative assessment of heart and lung surgery patients, evaluating lung damage from occupational exposures and documenting responses to therapy.

These pulmonary function systems fall into three major product categories: Spirometry, Complete Pulmonary Function and Body Plethysmography.

Spirometry. The new CPF-S/D USB spirometer is comprised of a flow measurement module and a personal computer (PC). The spirometer can serve as a platform that can be upgraded to either a complete pulmonary function or cardiopulmonary exercise system. Spirometry provides measurements of airflow, lung volume and elastic/mechanical properties.

Complete Pulmonary Function Systems. The Ultima/PF Series is MedGraphics complete pulmonary function system. The Ultima/PF is available as a desktop or cart-mounted module that performs rapid, non-invasive assessment of an individual s lung volumes, respiratory pressures and gas diffusion in addition to spirometry measurements. The Ultima PF uses a patented patient circuit to enhance infection control.

Body Plethysmograph Systems. The Elite Series comprises MedGraphics body plethysmograph system. A body plethysmograph is an enclosed metal and clear acrylic chamber that offers the most sensitive method for measuring chest wall movement. The patient sits inside the chamber and undergoes diagnostic pulmonary function tests. MedGraphics medical design award winning Elite Series minimizes patient anxiety and discomfort while maximizing accuracy. The system s design optimizes patient comfort with a clear-view acrylic enclosure and allows testing of a broad population including pediatric patients and individuals in wheelchairs.

The Elite Series is available in three configurations:

Elite D. The Elite D performs spirometry, measures the total volume of air in the lungs and the resistance to airflow in the airways of a person s lungs.

Elite DL. The Elite DL performs the same tests as the Elite D, and adds the diffusion test in the same manner as the Ultima/PF.

Elite DX. The Elite DX performs all the same tests as an Elite DL, and adds an additional lung volume measurement.

All MedGraphics pulmonary function products use the patented preVentTM pneumotach, a disposable/cleanable mouthpiece/flow measurement device that eliminates concern over the transmission of infectious diseases. The preVent pneumotach gives all MedGraphics products the capability to

perform spirometry testing to measure the flow rates, volumes (capacities) and mechanical properties of the lung. MedGraphics pulmonary function products use a patented expert system, Pulmonary Consult, to assist physicians in the interpretation of test results.

Applications include evaluating the effect of medication, monitoring patients with chronic disease, diagnosing lung diseases (i.e. asthma and emphysema), managing treatment, assessing the surgical risk of lung transplant and lung reduction candidates and evaluating the impact of diseases such as neuromuscular disease on breathing.

MedGraphics pulmonary function products ease of use, infection control features, compact, lightweight design and mobility option attract a wide variety of customers, including pulmonary laboratories in hospitals, clinics, physician offices, occupational medicine clinics, asthma/allergy practices, and clinical research centers worldwide.

Cardiopulmonary Exercise Testing Systems

MedGraphics cardiopulmonary exercise (CPX) testing systems measure functional capacity, fitness or conditioning levels as well as help physicians diagnose heart and lung diseases. This is accomplished by measuring the volume and concentrations of oxygen and carbon dioxide as they enter and leave the lungs while a person exercises on a machine such as a bike or treadmill.

The Ultima/CPX systems measure each breath using a patented breath-by-breath methodology and the same patented preVent pneumotach as the pulmonary function systems. MedGraphics cardiopulmonary exercise systems include a patented oxygen analyzer and a carbon dioxide analyzer and also implement several patents relating to gas sampling and data reporting, including two expert system software packages for evaluating the information obtained from cardiopulmonary exercise assessments.

Measurements can also be made at rest to determine nutritional requirements of critically ill patients or individuals wishing to assess the number of calories burned per day, which is termed energy expenditure. This measurement is known as a metabolic assessment and is marketed by Medical Graphics as the Ultima/CCM option. Configurations using both the CPX and CCM applications are marked as an Ultima/MAX system.

The Ultima Series is sold in the following different configurations**:**

Ultima/CPX/D. This is a basic exercise testing system that measures an individual s fitness level while exercising and measures the ability to perform work (functional capacity) or activities of daily living (ADL). The Ultima/CPX/D can also be used in conjunction with other manufacturers stand-alone ECG systems.

Ultima/CCM/D. This basic metabolic assessment system measures the nutritional requirements of a patient at rest.

Ultima/CPX/MAX/D. This system measures both exercise and nutritional requirements.

Ultima/CardiO2. This configuration adds an integrated 12-lead electrocardiogram stress option. The electrocardiogram, which measures heart functions, is generally referred to as an ECG.

CardiO2/MAX/D. The CardiO2/MAX/D is a CPX/D with an integrated 12-lead ECG and the metabolic assessment option.

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VO2000. The VO2000 is a portable/ambulatory version that is about twice the size of a typical portable CD player and can transmit data via telemetry. In addition to uses for exercise and nutritional requirements, these portable and wearable products include assessment of work capacity in occupational medicine and physical therapy as well as field training of amateur and elite athletes during participation in their actual events. The VO2000 technology platform, reconfigured as a VO2PAS, is a key component of the Company s New Leaf Active Metabolic TrainingTM System health and fitness product.

Applications for the Ultima and VO2000 exercise and metabolic systems include distinguishing between cardiovascular and pulmonary disease, screening for early signs of cardiac and pulmonary dysfunction, establishing exercise prescriptions and training programs and evaluating the efficacy of prescribed therapy. Customers include hospital cardiopulmonary laboratories, cardiology and pulmonary office-based clinics, critical care units, cardiac rehabilitation units, weight loss clinics, human performance laboratories and health clubs.

Cycle Ergometers and Treadmills

The Company offers several models of cycle ergometers providing healthcare professionals and patients a tool for more successful outcomes in clinical rehabilitation and athletic training. A cycle ergometer is a specially designed stationary exercise bicycle that can operate at a broad spectrum of resistance levels while a treadmill is a motorized walking/running surface that can operate at different inclines to produce a range of work levels. Medical Graphics has cycle ergometers and treadmills that are used in diagnostic, rehabilitation, training and sports medicine applications. The ergometers and treadmills are used and controlled by the Company s cardiopulmonary exercise testing systems.

Competition

The industry for companies selling cardiopulmonary diagnostic systems is competitive. There are a number of companies that currently offer, or are in the process of developing, products that compete with products offered by Medical Graphics. The Company s competitors include both large and small medical companies, some of which have greater financial and technical resources and broader product lines. Viasys Healthcare, Inc. and nSpire Health represent the principal competitors for the Company s MedGraphics branded products. The Company believes that the primary competitive factors in its markets are product features, customer service, price, quality, product performance, market reputation, breadth of product offerings and effectiveness of sales and marketing efforts. The Company believes its MedGraphics brand product quality, product performance, market reputation and customer service are the true differentiators that will contribute to future growth.

The Company s New Leaf branded products for the health and fitness market have a few competitors, which include metabolic measurement systems (Korr Medical and Cosmed), nutrition education and lifestyle enhancement software (e-Diets), and weight loss programs (Jenny Craig and Weight Watchers). The Company believes that its proprietary technology, expert-designed exercise programs and its training and education service provide a notable and unique advantage in the weight loss, general fitness and athletic performance markets.

Competition based on price is expected to continue as an important factor in customer purchasing patterns as a result of healthcare cost containment pressures in the health care industry. This form of competition is likely to continue to exert downward pressure on prices the Company is able to charge for its products. There can be no assurance that it will be able to offset this downward price pressure through corresponding cost reductions. Any failure to offset this pressure could have an adverse effect on the Company s business, results of operations or financial condition.

Any product developed by the Company that gains regulatory approval will have to compete for market acceptance and market share. The timing of market introduction of competitive products could adversely affect the competitiveness of Medical Graphics products. Accordingly, the relative speeds with which the Company can develop products, complete clinical testing and the regulatory approval process and supply commercial quantities of the product to the market are important competitive factors. The Company expects that competition will also be based on many factors, including device size and weight, longevity, ease of programmability, ability to provide diagnostic capability, product reliability, physician familiarity with the device, patent protection, sales and marketing capability, third-party reimbursement policies, reputation and price. The Company has protected its products with various patents when possible.

Manufacturing

Medical Graphics currently designs and assembles all major analyzer components of its cardiopulmonary diagnostic systems including a waveform analyzer, flow board, gas sample lines, gas chromatograph, nitrogen analyzer, CO_2 analyzer and oxygen analyzer. Company-designed sheet metal, electrical components, printed circuit boards and some measurement devices are purchased from outside vendors and are tested, assembled and packaged by Medical Graphics personnel into fully integrated systems. Medical Graphics also acquires general-purpose computers, monitors and printers from a variety of sources and integrates its proprietary software modules into these systems. Medical Graphics acquires its cycle ergometers and treadmills from third parties.

Medical Graphics is ISO 13485:2003 and Part 1 of the Canadian MDR, MDD 93/42/EEC Annex II certified for its development and manufacturing processes. See Regulation by Foreign Governments for additional discussion of the Company s ISO 13485:2003 certification.

Marketing and Distribution

Medical Graphics markets its products in the United States through two direct sales forces that sell into hospitals, university-based medical centers, medical clinics, physician offices, health and fitness clubs, weight loss clinics and personal training studios. The Company markets its products to a wide range of customers that utilize its non-invasive capabilities across a broad healthcare market continuum. On the healthcare end of the continuum, the MedGraphics branded products are sold to hospitals, physician offices, clinics, pulmonary physicians, cardiologists, critical care physicians, rehabilitation professionals and physical therapy professionals. On the fitness end of the continuum, the New Leaf branded products are sold to health and fitness clubs, corporations, weight loss centers, training studios, personal trainers and coaches. Each salesperson is responsible for a specific geographic area and is compensated with a base salary, expense reimbursement and a territory sales goal commission plan.

Outside the United States, Medical Graphics markets its products through a network of independent distributors. During 2006, Medical Graphics used approximately 58 distributors to sell its products into 66 countries. These distributors typically carry a select inventory of MedGraphics products and sell those products in specific geographic areas, generally on an exclusive basis. International sales accounted for 29.7% and 16.5% of total revenue for the years ended October 31, 2006 and 2005, respectively. All of Medical Graphics international sales are made on a United States dollar-denominated basis to distributors.

International sales involve certain risks not ordinarily associated with domestic business including fluctuations in currency exchange rates, reliance on distributors and country-specific policies and procedures.

Medical Graphics executes multiple sales and marketing strategies both domestically and internationally. The Company s most successful sales and marketing tactics include product demonstrations which emphasize technological capabilities, breadth of services and unmatched customer service. In addition to onsite product demonstrations, the Company annually attends and hosts booth displays at various industry-specific conventions around the world. At these conventions, potential customers/clients have the ability to see and experience the unique features the products offer. Through these global conventions, the Company gains notable exposure to pulmonologists, respiratory therapists, allergy physicians, exercise physiologists, sports medicine professionals, personal trainers and exercise enthusiasts. Other marketing initiatives include educational seminars, print advertisements, direct mail campaigns and e-marketing campaigns through the (www.medgraphics.com) web site for MedGraphics branded products and (www.newleaffitness.com) for New Leaf branded products.

Research and Development

In 2006, Medical Graphics continued to develop new products and implemented product improvements designed to enhance product reliability and improve margins. The Company s research and development initiatives are targeted for hospitals, clinics, physician s offices and the health and fitness club markets. An integral component of the Company s future growth strategies includes developing and introducing additional new products.

Research and development expenses were $2,367,000 and $2,061,000 for the years ended October 31, 2006 and 2005, respectively.

Intellectual Property

Patents and trademarks are critical in the medical device industry. The Company believes strongly in protecting its intellectual property and has a long history of obtaining patents, when available, in connection with its research and product development programs. The Company also relies upon trade secrets and proprietary know-how.

The Company relies on a combination of patent, trademark and trade secret laws to establish proprietary rights in its products. Medical Graphics currently owns 24 United Statespatents and is actively developing and obtaining additional patents. These patents cover the various aspects of Medical Graphics core technologies, including gas analysis, pressure and flow measurement, breath-by-breath assessment of gas exchange data analysis and expert system software. The New Leaf products employ various Medical Graphics patents in its business model. In addition, Medical Graphics has a number of foreign patents with respect to technologies covered by its United States patents.

Prior to June 2005, the Company owned a number of cardiac stimulation patents. These patents were assigned to ELA Medical in connection with settlement of the legal dispute by ELA Medical against the Company.

Foreign patents generally expire 20 years after the date of original application, but vary from country to country. Medical Graphics intends to aggressively enforce its intellectual property rights and has successfully done so in the past. There can be no assurance, however, that these patents, or any patents that may be issued as a result of existing or future applications, will offer any degree of protection from competitors.

United States patents filed on or after June 8, 1995 have a term of 20 years from the date on which the application for the patent was filed. Domestic patents in force on June 8, 1995 and patents

issued on applications filed prior to June 8, 1995 automatically have a term that is the greater of the 20 year term from the date of filing above or 17 years from the patent grant.

Medical Graphics also owns registered trademarks and has applied for other trademarks in the U.S. and certain foreign countries. Medical Graphics owns and actively enforces an array of related copyrights and trademarks. These include but are not limited to: MedGraphics, preVent Pneumotach, BreathPath, BreezeSuite, CPX/D, CCM/D, CardiO2, CPX/Express, CCM/Express, Ultima/PF, Ultima/CPX, Ultima/CCM, Ultima/PFX, 1085/DX, Elite/Dx, Elite/DL, PF/Dx, Profiler/Dx, Profiler/DL, CPF-S/D, Pulmonary Consult, Exercise Consult, KnowledgeNet and various logos.

Similarly, Medical Graphics owns New Leaf trademarks and copyrights that include but are not limited to: New Leaf, ExerSmart, ExerScript, PDC Personal Digital Coach, PAS Personal Assessment System, New Leaf Active Metabolic Training, EnerySmart and various logos.

Although patent and intellectual property disputes in the medical device area have often been settled through licensing agreements or similar arrangements, costs associated with these arrangements may be substantial, and there can be no assurance that necessary licenses would be available to the Company on satisfactory terms, if at all. Accordingly, an adverse determination in a judicial or administrative proceeding or failure to obtain necessary licenses could prevent the Company from manufacturing and selling its products, which would have a material adverse effect on the Company s business, financial condition and results of operations.

The Company seeks to protect its trade secrets and proprietary know-how, in part, through confidentiality agreements, non-compete agreements and assignment of invention provisions in agreements with employees, consultants and other parties, as well as through contractual exclusivity with certain suppliers. There can be no assurance, however, that these agreements will not be breached, that the Company would have adequate remedies for any breach, or that the Company s trade secrets will not otherwise become known to or independently developed by competitors.

The Company conducts ongoing evaluations of potential infringement of any proprietary rights of third parties by the products the Company intends to market. Regardless of the Company s efforts to evaluate the potential infringement of any proprietary rights of third parties, however, there can be no assurance that such infringements do not exist or may not arise in the future. There has been substantial litigation regarding patent and other intellectual property rights in the medical device industry. Litigation, which could result in substantial cost to and diversion of effort by the Company, may be necessary to enforce patents issued to or licensed by the Company, to protect trade secrets or know-how owned by the Company, to defend the Company against claimed infringement of the rights of others, and to determine the scope and validity of the proprietary rights of others. Adverse determinations in litigation could subject the Company to significant liabilities to third parties or could require the Company to seek licenses from third parties.

The Company has also entered into a technology license agreement under which it obtained a license related to the design and manufacture of talking heart rate monitors. This license represents the technology for the Company s New Leaf Personal Digital Coach.

Government Regulation

Most of the products manufactured by the Company are devices as defined in the Federal Food, Drug and Cosmetic Act (the Act) and are subject to the regulatory authority of the Food and Drug Administration (FDA), which regulates the manufacture, distribution, related record keeping, labeling and advertising of such devices. The FDA classified medical devices in commercial distribution into one

of three classes, Class I, II or III, following the enactment of the Medical Device Amendments to the Act in May 1976 (the Amendments). These classifications are based on the controls necessary to reasonably ensure the safety and efficacy of medical devices. The Company s New Leaf health and fitness products are not classified as medical devices as defined in the Act.

Many Class I devices have been exempted from pre-market notification requirements by the FDA. The same types of controls the FDA has used on devices since the passage of the Act in 1938 can adequately regulate these products. These general controls include provisions related to labeling, producer registration, defect notification, records and reports and good manufacturing practices. The more comprehensive Quality System Regulation (QSR) has replaced the good manufacturing practice regulation. As noted below, QSRs include implementation of quality assurance programs, written manufacturing specifications and processing procedures, written distribution procedures and record keeping requirements.

Class II devices are products for which the general controls of Class I devices are deemed not sufficient to assure the safety and effectiveness of the device and thus require special controls. Special controls for Class II devices include performance standards, post-market surveillance, patient registries and the use of FDA guidelines. Standards may include both design and performance requirements. Class III devices have the most restrictive controls and require pre-market approval by the FDA. Generally, Class III devices are limited to life-sustaining, life-supporting or implantable devices. All of MedGraphics branded products are Class II devices.

If the Company does not comply with applicable regulatory requirements, including marketing products only for approved uses, it could be subject to fines, injunctions, civil penalties, recall or seizure of products, total or partial suspension of production, refusal of the government to grant pre-market clearance or pre-market approval for products, withdrawal of approvals and criminal prosecution. In addition, changes in existing regulations or adoption of new governmental regulations or policies could prevent or delay regulatory approval of the Company s products or result in increased regulatory costs. Furthermore, once clearance or approval is granted, subsequent modifications to the approved product or manufacturing process may require a new round of clearances or approvals that could require substantial additional clinical data and FDA review.

Class II Requirements

Section 510(k) of the Act requires individuals or companies manufacturing medical devices intended for use with humans to file a notice with the FDA at least 90 days before introducing a product not exempted from notification requirements into the marketplace. The notice (a 510(k) Notification) must state the class in which the device is classified and the action taken to comply with performance standards or pre-market approval that may be needed if the device is a Class II or Class III device, respectively. Under Section 510(k), a medical device can be marketed if the FDA determines that the device is substantially equivalent to similar devices marketed prior to May 28, 1976. In the past, Medical Graphics has filed notifications with the FDA of its intent to market its systems pursuant to Section 510(k) of the Amendments, the FDA subsequently cleared these systems for commercial sale and Medical Graphics is now marketing the devices under Section 510(k). The action of the FDA does not, however, constitute FDA approval of Medical Graphics products or pass upon their safety and effectiveness.

In addition to the requirements described above, the Act requires that all medical device manufacturers and distributors register with the FDA annually and provide the FDA with a list of those medical devices that they distribute commercially. The Act also requires that all manufacturers of medical devices comply with labeling requirements and manufacture devices in accordance with QSRs, which require that companies manufacture their products and maintain their documents in a prescribed

manner with respect to manufacturing, testing and quality control. In addition, these manufacturers are subject to inspection on a routine basis for compliance with the QSRs. The FDA s Medical Device Reporting regulation requires that companies provide information to the FDA on death or serious injuries alleged to have been associated with the use of their products, as well as product malfunctions that would likely cause or contribute to death or serious injury if the malfunction were to recur. The FDA further requires that certain medical devices not cleared with the FDA for marketing in the United States meet specific requirements before they are exported. The FDA has authority to inspect the Company s facilities to ensure compliance with the Act and regulations thereunder. Failure to comply with these regulations could have a material adverse effect on the Company s business, financial condition and results of operations. Medical Graphics is registered as a manufacturer with the FDA and successfully passed its most recent FDA auditin September 2004.

Regulation by Foreign Governments

The Company s products are also subject to regulation similar to that of the FDA in various foreign countries. ISO 13485:2003 certification indicates that a company s development and manufacturing processes comply with standards for quality assurance and manufacturing process control. ISO 13485:2003 certification evidences compliance with the requirements that enable a company to affix the CE Mark to its products. The CE Mark denotes conformity with European standards for safety and allows certified devices to be placed on the market in all European Union (EU) countries. Since June 1998, medical devices cannot be sold in EU countries unless they display the CE Mark. Medical Graphics received ISO 13485:2003 certification for its development and manufacturing processes in 1998 and has passed annual surveillance and recertification audits since 1998. Medical Graphics has achieved CE certification for its primary cardiopulmonary testing products. There can be no assurance, however, that Medical Graphics will be able to obtain regulatory approvals or clearances for its products in foreign countries. In addition to compliance with ISO 13485:2003 certification, the Company s products also meet Part I of the Medical Device Requirements for Canada and the Medical Device Directive 93/42/EEC Annex II.

Employees

As of October 31, 2006, the Company had 144 full-time and 11 part-time employees, including 29 in sales, 18 in field service, 9 in marketing, 18 in applications and technical support, 42 in engineering, manufacturing and production, 12 in research, development and quality assurance/regulatory affairs, and 16 engaged in finance and administration. No employees are represented by a collective bargaining agreement and the Company has not experienced any work stoppage. Management believes that relations with its employees are good.

Cautionary Note Regarding Forward-looking Statements

The discussion above contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements by their nature involve substantial risks and uncertainties. The Company s actual results may differ materially depending on a variety of factors, including:

- Our ability to successfully operate our business including our ability to develop, improve, and update our cardiorespiratory diagnostic products,

- Our ability to effectively manufacture and ship products in required quantities to meet customer demands,

- Our ability to successfully defend the Company from product liability claims related to our cardiorespiratory diagnostic products and claims associated with our prior cardiac stimulation products,

- Our ability to protect our intellectual property,

- Our ability to develop and maintain an effective system of internal controls and procedures and disclosure controls and procedures, and

- Our dependence on third-party vendors.

Additional information with respect to the risks and uncertainties faced by the Company may be found in, and any prior discussion is qualified in its entirety by, the other risk factors that are described from time to time in Angeion s Securities and Exchange Commission reports, including but not limited to this Annual Report on Form 10-KSB for the year ended October 31, 2006 and subsequently filed reports.

Certain Risk Factors

History of Recent Losses. Prior to 2006, the Company incurred recurring losses including a net loss of $919,000 for the year ended October 31, 2005 and had an accumulated deficit of $4.6 million at October 31, 2006. While the Company believes that its existing cash is adequate to support operations for the next fiscal year or more, the Company must ultimately remain profitable or obtain additional financing to be able to meet its future cash flow requirements, and there can be no assurance that it will be able to do so.

***Product Liability and Potential Insufficiency of Product Liability Insurance*.** The testing, manufacturing, marketing and sale of medical devices involve risk of liability claims and product recalls. ICD products that the Company sold prior to 2001 are highly complex and were used in medical procedures and in situations where there is a potential risk of serious injury, adverse side effects or death. As a result, the Company currently carries product liability insurance covering its products with policy limits per occurrence and in the aggregate that the Company has deemed to be sufficient. The Company cannot predict, however, whether this insurance is sufficient, or if not, whether the Company will be able to obtain sufficient insurance, to cover the risks associated with the Company s business or whether such insurance will be available at premiums that are commercially reasonable. Although the Company has discontinued its ICD business, a successful claim against or settlement by the Company in excess of its insurance coverage or the Company s inability to maintain insurance in the future could have a material adverse effect on the Company s business, results of operations, liquidity and financial condition.

In 2005, the Company settled a claim for indemnification from ELA Medical for expenses incurred by ELA Medical in connection with the recall of ICDs formerly manufactured by the Company. The Company believed its product liability insurance would reimburse it for a significant amount of the cost of the settlement and defense of the ELA Medical claim. On April 12, 2006, Angeion Corporation and Medmarc agreed to a settlement that resolved all matters with respect to the pending lawsuit between the parties related to the recovery of insurance proceeds for a claim associated with the Company s former ICD business. Medmarc made the settlement payment to the Company on June 9, 2006 and each party agreed to dismiss with prejudice all claims against the other in the pending lawsuit.

As a result of the settlement with Medmarc, the Company recorded a $171,000 gain, net of $103,000 of taxes, from discontinued operations for the year ended October 31, 2006. The Company recorded a $229,000 loss from discontinued operations for the year ended October 31, 2005 that primarily consisted of legal expenses and the purchase of liability insurance coverage for claims associated with the Company s discontinued ICD products. The Company expects that the only expense for discontinued operations in the future will be the purchase of product liability insurance for as long as the Company

believes it necessary to cover ICDs that remain implanted in patients. The current policy for product liability insurance covering ICDs expires in July 2007.

Although ELA Medical has agreed that it will be responsible for any warranty coverage, technical service and regulatory compliance service with respect to any recalled ICDs in the future, there can be no assurance that the Company will not be subject to patient claims in the future. See Note 13 to the Consolidated Financial Statements, Discontinued Operations and Related Litigation, and Item 3, Legal Proceedings in this Form 10-KSB.

Success of Business Plan. Successful implementation of the Company s business plan through its Medical Graphics subsidiary operating entity is dependent on the interaction of many variables, including the effects of changing industry conditions, competition and the Company s ability to successfully market and sell its new products. While the Company believes that its business plan reflects reasonable judgments in assessing those risks, there can be no assurance that influences not foreseen by the Company would not adversely affect its ability to execute the business plan strategies. While the Company believes that its business plan projections are in line with achievable performance levels, there can be no assurance that the Company will be able to obtain, and sustain, projected sales revenue increases.

Dependence upon New Products. The Company is focusing a portion of its resources on the weight loss, general fitness, clinical research and disease prevention markets that are a logical extension of its core cardiorespiratory systems technology. The Company s principal products are its New Leaf Active Metabolic Training system and new cardiorespiratory diagnostic products planned for introduction both domestically and internationally. The Company s future success will be dependent, in part, upon the successful introduction of these products and services into the weight loss, general fitness, clinical research and disease prevention markets. In developing these new products, it will incur additional research and development and marketing expenses.

The Company s success will also depend upon cost-effective development of new products for its cardiorespiratory markets. There can be no assurance that revenues, if any, from new products will be sufficient to recoup the Company s expenses in developing and marketing any new product. Moreover, there is no assurance that the Company can manufacture these new products at a cost, or sell these products at a price, that will result in an acceptable rate of return for the Company. Market acceptance of these new products may be slow or customers may not accept the new products at all. If the Company cannot successfully develop and market new products, its financial performance and results of operations will be adversely affected.

Need for Market Acceptance. Market acceptance of the Company s products will depend, in part, on the capabilities and operating features of its products compared to competing products and the Company s ability to market the benefits, features and clinical efficacy of its products. The timeliness of its product introductions and its ability to manufacture quality products profitably and in sufficient quantities are also important to continued success. Failure of the Company s products to gain market acceptance would have a material adverse effect on the Company s business, financial condition and results of operations. Furthermore, even if there is growth in the markets for the Company s products, there can be no assurance that the Company will participate in such growth.

Importance of Intellectual Property Protection. Patents and trademarks are critical in the medical device industry, and the Company believes strongly in protecting its intellectual property and has a long history of obtaining patents, when available, in connection with its research and product development programs. The Company owns a number of United States and foreign patents. The Company also owns certain registered trademarks, and has applied for other trademarks in the United

States and certain foreign countries. There can be no assurance, that patents and trademarks will be granted in the future, or that any patents and trademarks that the Company now holds or may be granted, or under which it has held license rights, will be valid or otherwise be of value to the Company. Even if the Company s patents and trademarks are valid, others may be able to introduce non-infringing products that are competitive with those of the Company. Competitors of the Company may also hold or be granted patents that are not licensed to the Company.

Although patent and intellectual property disputes in the medical device area have often been settled through licensing agreements or similar arrangements, costs associated with such arrangements may be substantial, and there can be no assurance that necessary licenses would be available to the Company on satisfactory terms or at all. Accordingly, an adverse determination in a judicial or administrative proceeding or failure to obtain necessary licenses could prevent the Company from manufacturing and selling its products, which would have a material adverse effect on the Company s business, financial condition and results of operations.

The Company seeks to protect its trade secrets and proprietary know-how, in part, through confidentiality agreements, non-compete agreements and assignment of invention provisions in agreements with employees, consultants and other parties, as well as through contractual exclusivity with certain suppliers. There can be no assurance, however, that these agreements will not be breached, that the Company would have adequate remedies for any breach, or that the Company s trade secrets will not otherwise become known to or independently developed by competitors.

Dependence on Senior Management and Other Key Personnel. The Company s success depends largely on effective leadership from its senior management and other key personnel. Moreover, competition for qualified personnel with sufficient and relevant experience in the medical device industry is intense. Accordingly, the loss of the services of such individuals, or the inability to hire additional key individuals as required, could have a material adverse effect on the Company, including its current and future product development efforts.

Dependence on Third Party Vendors. The Company relies on third party vendors for certain components used in the Company s products. A number of significant components, such as capacitors, batteries and integrated circuits, are purchased from sole source suppliers. Medical Graphics acquires its cycle ergometers and treadmills from third parties. Although the Company attempts to maintain sufficient quantities of inventory of these components to minimize production delays or interruptions, there can be no assurance that the Company will find suitable alternatives at reasonable prices, if at all, or that any alternatives will remain available to the Company. The Company s inability to obtain acceptable components in a timely manner or find and maintain suitable replacement suppliers for components would have a material adverse effect on the Company, including its ability to manufacture its products.

Effect of Certain Anti-Takeover Provisions. The Company is governed by the provisions of Sections 302A.671 and 302A.673 of the Minnesota Business Corporation Act. These anti-takeover provisions could potentially operate to deny shareholders the receipt of a premium on their common stock and may also have a depressive effect on the market price of the Company s common stock. Section 302A.671 generally provides that the shares of a corporation acquired in a control share acquisition have no voting rights unless voting rights are approved by the shareholders in a prescribed manner. A control share acquisition is generally defined as an acquisition of beneficial ownership of shares that would, when added to all other shares beneficially owned by the acquiring person, entitle the acquiring person to have voting power of 20% or more in the election of directors. Section 302A.673 prohibits a public corporation from engaging in a business combination with an interested shareholder for a period of four years after the date of the transaction in which the person became an interested shareholder, unless the business combination is approved in a prescribed manner. A business combination includes

mergers, asset sales and other transactions. An interested shareholder is a person who is the beneficial owner of 10% or more of the corporation s voting stock. Reference is made to the detailed terms of Sections 302A.671 and 302A.673 of the Minnesota Business Corporation Act.

The Company has also entered into agreements with certain executive officers that provide for certain benefits upon a change of control.

The Company has experienced a material weakness in its internal controls. The Company has recently experienced a material weakness in its internal control related to its accounting for income taxes during the first three quarters of fiscal year 2006 which required the Company to restate its consolidated financial statements for those periods. Specifically, the Company did not have and through its engagement of third party outside advisers did not acquire, adequate technical expertise to effectively oversee and review the Company s accounting for the utilization of pre-emergence bankruptcy NOL carry forwards in accordance with AICPA Statement of Position 90-7, *Financial Reporting by Entities in Reorganization under the Bankruptcy Code*. As a result, the Company restated the financial information reported for the first three quarters of the year ended October 31, 2006 to correct a material error in provision for taxes, goodwill and other intangible assets. The Company has undertaken a remediation program to address this weakness, but there can be no assurance that the Company may not suffer additional material weaknesses and adjustments or restatements to its consolidated financial statements in the future.

Item 2. Description of Property.

The Company currently leases a 52,254 square foot building for its office, assembly and warehouse facilities located in suburban Saint Paul, Minnesota. The building is also the location of the Company s Medical Graphics subsidiary. The building lease for the Company s present office and manufacturing space expires in June 2009. Annual rental costs will be approximately $306,000 in fiscal year 2007. Rent expense was $292,000 and $286,000 for the years ended October 31, 2006 and 2005, respectively.

Item 3. Legal Proceedings.

The Company is subject to certain claims and lawsuits that have been filed in the ordinary course of business. From time to time, the Company brings suit against others to enforce patent rights or to collect debts in the ordinary course of business. Management believes that the settlement of all litigation would not have a material effect on the results of operations or liquidity of the Company.

Item 4. Submission of Matters to a Vote of Security Holders.

Not Applicable.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Small Business Issuer Purchases of Equity Securities.

The Company s common stock is traded on the Nasdaq Capital Market under the symbol ANGN. The prices below are the high and low sales prices as reported by the Nasdaq Capital Market for each quarter of FY 2006 and 2005.

Angeion Common Stock Prices

Fiscal Years	**High**	**Low**
2006		
Fourth quarter	$ 11.85	$ 3.52
Third quarter	5.84	3.36
Second quarter	5.60	3.50
First quarter	4.63	2.00
2005		
Fourth quarter	3.00	2.00
Third quarter	3.25	2.10
Second quarter	4.20	2.00
First quarter	4.61	1.17

As of November 27, 2006, approximately 487 persons held the Company s common stock of record. In addition, nominees for approximately 5,100 shareholders held shares in street name.

Dividends

The Company has not paid any dividends on its common stock. The Company currently intends to retain any earnings for use in its operations and does not anticipate paying any cash dividends in the future.

Equity Compensation Plan Information

The following table provides information as of October 31, 2006 with respect to the shares of the Company s common stock that may be issued under its equity compensation plan. The Company has one equity compensation plan, its 2002 Stock Option Plan.

Plan Category	**(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights**	**(b) Weighted-average exercise price of outstanding options, warrants and rights**	**(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)**
Equity compensation plans approved by security holders	619,750	$ 5.04	9,200

Recent Sales of Unregistered Securities

The Company had no unregistered sales of equity securities during the quarter ended October 31, 2006.

End of period

$116,595 $17,024

Cash paid during the period for

Interest
$27,580 $30,592
Income taxes paid (refunded)
$(13,943) $1,899
Supplemental disclosure of non-cash activity:

Adjustment to tax reserves
$ $7,415 (3)

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

Statements an amendment of ARB No. 51.

(2) Release of a tax reserve that was initially recorded as goodwill on the acquisition of Meridian Rail Holding Corp. The contingency requiring this reserve lapsed in the first quarter of fiscal 2009.

The accompanying notes are an integral part of these statements

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THE GREENBRIER COMPANIES, INC.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 1 Interim Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Loss per common share:

Net loss

Interest and

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

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THE GREENBRIER COMPANIES, INC.

Note 3 Special Charges

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

Note 4 Inventories

(In thousands)

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

Note 5 Assets Held for Sale

(In thousands)

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

Note 6 Intangibles and other assets

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

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

(In thousands)

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

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

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

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

Note 7 Revolving Notes

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

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

Note 8 Accounts Payable and Accrued Liabilities

(In thousands)

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

Note 9 Warranty Accruals

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

Warranty accrual activity:

(In thousands)

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

Note 10 Notes Payable

(In thousands)

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

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

Convertible senior notes, due 2026, bear interest at a fixed rate of 2 %, paid semi-annually in arrears on May 15th and November 15th. The Company will also pay contingent interest of % on the notes in certain circumstances commencing with the six-month period beginning May 15, 2013. Payment on the convertible notes is guaranteed by substantially all of the Company s domestic subsidiaries. The convertible senior notes will be convertible upon the occurrence of specified events into cash and shares, if any, of Greenbrier s common stock at an initial conversion rate of 20.8125 shares per $1,000 principal amount of the notes (which is equal to an initial conversion price of $48.05 per share). The initial conversion rate is subject to adjustment upon the occurrence of certain events, as defined. On or after May 15, 2013, Greenbrier may redeem all or a portion of the notes at a redemption price equal to 100% of the principal amount of the notes plus accrued and unpaid interest. On May 15, 2013, May 15, 2016 and May 15, 2021 and in the event of certain fundamental changes, holders may require the Company to repurchase all or a portion of

their notes at a price equal to 100% of the principal amount of the notes plus accrued and unpaid interest. In April 2010, the Company retired $22.2 million of the convertible notes early and realized a gain of $2.3 million which was recorded as Interest and foreign exchange in the Consolidated Statement of Operations. ASC 470-20 was effective for the Company beginning September 1, 2009 in respect to the outstanding convertible senior notes. See Note 2, Adoption of ASC 470-20 *Debt Debt with Conversion and Other Options* for the expected impact to the Company s Consolidated Financial Statements.

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

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

Principal payments on the notes payable are as follows:

(In thousands)

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

Note 11 Shareholders Equity

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

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THE GREENBRIER COMPANIES, INC.

Note 12 Comprehensive Income (Loss)

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

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

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

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

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

Note 13 Earnings (Loss) Per Share

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

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

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

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

Note 14 Stock Based Compensation

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

Note 15 Related Party Transactions

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

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

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

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

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

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

THE GREENBRIER COMPANIES, INC.

Note 16 Derivative Instruments

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

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

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

Fair Values of Derivative Instruments

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

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

Derivatives not designated as hedging instruments

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

The Effect of Derivative Instruments on the Statement of Operations

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

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

Note 17 Segment Information

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

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

(In thousands)

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

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

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

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THE GREENBRIER COMPANIES, INC.

Note 18 Commitments and Contingencies

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

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

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

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

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

warranty claims, including claims with respect to cars that have been repaired pursuant to the agreement. Greenbrier is evaluating SEB s new warranty claim. Current estimates of potential costs of such repairs do not exceed amounts accrued.

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

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

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

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

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

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

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

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

Note 19 Fair Value of Financial Instruments

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

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

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

Note 20 Fair Value Measures

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

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

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

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

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

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

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

inputs. See Note 16 Derivative Instruments for further discussion.

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

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

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THE GREENBRIER COMPANIES, INC.

Note 21 Guarantor/Non Guarantor

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

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

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

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

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

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

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

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

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

Net earnings (loss) attributable to Greenbrier

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THE GREENBRIER COMPANIES, INC.

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

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

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

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THE GREENBRIER COMPANIES, INC.

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

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

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

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

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THE GREENBRIER COMPANIES, INC.

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

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

Net earnings (loss) attributable to Greenbrier

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

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

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

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

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

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

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

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

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

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THE GREENBRIER COMPANIES, INC.

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

Executive Summary

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

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

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

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

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

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

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

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

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

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

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

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

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THE GREENBRIER COMPANIES, INC.

Critical Accounting Policies

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

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

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

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

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

THE GREENBRIER COMPANIES, INC.

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

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

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

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

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

Results of Operations

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

Overview

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

THE GREENBRIER COMPANIES, INC.

Manufacturing Segment

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

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

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

Refurbishment & Parts Segment

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

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

Leasing & Services Segment

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

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

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

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

Other Costs

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

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

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

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

Special Charges

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

Income Taxes

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

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

Overview

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

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

Manufacturing Segment

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

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

Refurbishment & Parts Segment

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

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

Leasing & Services Segment

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

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

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

Other Costs

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

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

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

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

Special Charges

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

Income Tax

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

Liquidity and Capital Resources

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Off Balance Sheet Arrangements

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

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THE GREENBRIER COMPANIES, INC.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risk

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

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

Interest Rate Risk

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

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Controls over Financial Reporting

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

Item 4T. Controls and Procedures

Not applicable

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Shortages of skilled labor could adversely impact our operations.

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

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

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

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

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

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

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

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THE GREENBRIER COMPANIES, INC.

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

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

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

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

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

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

of our Portland property.

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

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

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

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

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

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

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

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

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

The success of our acquisition strategy depends upon our ability to successfully complete acquisitions and integrate any businesses that we acquire into our existing business. The integration of acquired business operations could disrupt our business by causing unforeseen operating difficulties, diverting management s attention from day-to-day operations and requiring significant financial resources that would otherwise be used for the ongoing development of our business. The difficulties of integration could be increased by the necessity of coordinating geographically dispersed organizations, integrating personnel with disparate business backgrounds and combining different

corporate cultures. In addition, we could be unable to retain key employees or customers of the combined businesses. We could face integration issues pertaining to the internal controls and operational functions of the acquired companies and we also could fail to realize cost efficiencies or synergies that we anticipated when selecting our acquisition candidates. Any of these items could adversely affect our results of operations.

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

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

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

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

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

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

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

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

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

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

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

With the adoption of Accounting Standards Codification 350, *Intangibles Goodwill and Other*, goodwill is no longer amortized; however, we are required to perform an annual impairment review which could result in impairment write-downs to goodwill. If the carrying value of the asset is in excess of the fair value, the carrying

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value will be adjusted to fair value through an impairment charge. In 2009 the Company took a pre-tax goodwill write-down of $55.7 million. As of May 31, 2010, we had $137.1 million of goodwill. Our stock price can impact the results of the impairment review of goodwill. Future write-downs of goodwill could affect certain of the financial covenants under our credit agreements and could restrict our financial flexibility.

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

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

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

Item 5. Other Information

None

Item 6. Exhibits

(a) List of Exhibits:

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

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

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

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

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

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE GREENBRIER COMPANIES, INC.

Date: July 8, 2010

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

Date: July 8, 2010

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