ROPER INDUSTRIES INC
Form 424B5
December 21, 2009
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Filed Pursuant to Rule 424(b)(5)
File No. 333-152590

CALCULATION OF REGISTRATION FEE

Title of each class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, $0.01 par value	2,300,000	$53.495	$123,038,569.42	$ 8,772.65(1)

(1) The registration fee is calculated in accordance with Rule 457(r) under the Securities Act. As of the filing of this prospectus supplement, there are unused registration fees of $427.52 that have been paid in respect of the securities covered by the registration statement on Form S-3 (No. 333-152590) of which this prospectus supplement is a part. That amount is being offset against the registration fee for this offering.

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This preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been filed with the Securities and Exchange Commission and is effective. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and they are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion

Preliminary Prospectus Supplement dated December 21, 2009

Prospectus Supplement

(To Prospectus dated July 29, 2008)

2,300,000 Shares

Roper Industries, Inc.

Common Stock

Roper Industries, Inc. is offering 2,300,000 shares of its common stock.

Our common stock is listed on the New York Stock Exchange under the symbol ROP. On December 18, 2009, the last reported sale price of our common stock on the New York Stock Exchange was $54.19 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-7.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to Roper Industries, Inc.	$	$

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities, or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to purchasers on or about December 29, 2009.

Joint Book-Running Managers

J.P. Morgan **Goldman, Sachs & Co.**

December , 2009

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SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and documents that are incorporated by reference in this prospectus supplement and the accompanying prospectus include forward-looking statements within the meaning of the federal securities laws. In addition, we, or our executive officers on our behalf, may from time to time make forward-looking statements in reports and other documents we file with the Securities and Exchange Commission (SEC) or in oral statements made to the press, potential investors or others. All statements that are not historical facts are forward-looking statements. The words estimate, project, intend, expect, should, will, plan, believe, anticipa expressions identify forward-looking statements. These forward-looking statements include statements regarding our expected financial position, business, financing plans, business strategy, business prospects, revenues, working capital, liquidity, capital needs, interest costs and income, in each case relating to our company as a whole, as well as statements regarding acquisitions, potential acquisitions and the benefits of acquisitions.

Forward-looking statements are estimates and projections reflecting our best judgment and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These statements are based on our management s beliefs and assumptions, which in turn are based on currently available information. Examples of forward-looking statements in this prospectus supplement include but are not limited to our expectations regarding our ability to generate operating cash flows and reduce debt and associated interest expense and our expectations regarding growth through acquisitions. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding demand for our products, the cost, timing and success of product upgrades and new product introductions, raw materials costs, expected pricing levels, the timing and cost of expected capital expenditures, expected outcomes of pending litigation, competitive conditions, general economic conditions and expected synergies relating to acquisitions, joint ventures and alliances. These assumptions could prove inaccurate. Although we believe that the estimates and projections reflected in the forward-looking statements are reasonable, our expectations may prove to be incorrect. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section entitled Risk Factors in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q, incorporated by reference herein. You should understand that the following important factors, in addition to those discussed in the incorporated documents, could affect our future results, and could cause actual results or other outcomes to differ materially from estimates or projections contained in the forward-looking statements:

- uses of cash and borrowings;
- general economic conditions;
- difficulty making acquisitions and successfully integrating acquired businesses;
- any unforeseen liabilities associated with future acquisitions;
- limitations on our business imposed by our indebtedness;
- unfavorable changes in foreign exchange rates;
- difficulties associated with exports;
- risks and costs associated with our international sales and operations;
- increased directors and officers liability and other insurance costs;

risk of rising interest rates;

product liability and insurance risks;

increased warranty exposure;

future competition;

the cyclical nature of some of our markets;

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- reduction of business with large customers;
- risks associated with government contracts;
- changes in the supply of, or price for, parts and components;
- environmental compliance costs and liabilities;
- risks and costs associated with asbestos-related litigation;
- potential write-offs of our substantial intangible assets;
- our ability to successfully develop new products;
- failure to protect our intellectual property; and
- economic disruptions caused by terrorist attacks, health crises or other unforeseen events.

We believe these forward-looking statements are reasonable; however, you should not place undue reliance on any forward-looking statements, which are based on current expectations. Further, forward-looking statements speak only as of the date they are made, and we undertake no obligation to publicly update any of these statements in light of new information or future events.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part, the accompanying prospectus, gives more general information about securities we may offer from time to time, some of which does not apply to this offering. To the extent the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus, the information in this prospectus supplement controls. Before you invest in shares of our common stock, you should carefully read this prospectus supplement, along with the accompanying prospectus, in addition to the information contained in the documents we refer to under the heading Where You Can Find More Information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus or in any related free writing prospectus. Neither we nor any of the underwriters, has authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. Neither we nor any of the underwriters is making an offer or sale of securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information in this prospectus supplement, the accompanying prospectus or any free writing prospectus we may authorize to be delivered to you, including any information incorporated by reference, is accurate as of any date other than their respective dates. If any statement in one of these documents is inconsistent with a statement in another document having a later date for example, a document incorporated by reference in this prospectus supplement or the accompanying prospectus the statement in the document having the later date modifies or supersedes the earlier statement.

Except with respect to residents of Canada, we have not taken any action to permit an offering of our common stock outside the United States or to permit the possession or distribution of this prospectus outside the United States. Persons outside the United States who come into possession of this prospectus supplement and/or the accompanying prospectus must inform themselves about and observe any restrictions relating to the offering of our common stock and the distribution of this prospectus supplement and the accompanying prospectus outside of the United States.

You must comply with all applicable laws and regulations in force in any applicable jurisdiction and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of our common stock under the laws and regulations in force in the jurisdiction to which you are subject or in which you make your purchase, offer or sale, and neither we nor the underwriters will have any responsibility therefor.

We reserve the right to withdraw this offering of our common stock at any time. We and the underwriters also reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the amount of our common stock offered hereby.

Certain persons participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the price of our common stock. Such transactions may include stabilization and the purchase of our common stock to cover short positions. For a description of these activities, see Underwriting.

Unless we have indicated otherwise, references in this prospectus supplement to Roper, the Company, we, us and our or similar tern are to Roper Industries, Inc. and our consolidated subsidiaries.

SUMMARY

Roper Industries, Inc.

This summary highlights some basic information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. This summary is not complete and does not contain all of the information that you should consider before investing in our common stock. You should carefully read the entire prospectus supplement and the accompanying prospectus, including the section entitled Risk Factors as well as the documents incorporated by reference.

The Company

Roper Industries, Inc. was incorporated in Delaware in 1981. We are a diversified growth company that designs, manufactures and distributes energy systems and controls, scientific and industrial imaging products and software, industrial technology products and radio frequency (RF) products and services. We market these products and services to selected segments of a broad range of markets including RF applications, water, energy, research and medical, security and other niche markets.

We pursue consistent and sustainable growth in sales and earnings by emphasizing continuous improvement in the operating performance of our existing businesses and by acquiring other carefully selected businesses that offer high value-added, engineered products and solutions and are capable of achieving growth and maintaining high margins. We compete in many niche markets and believe that we are the market leader or a competitive alternative to the market leader in the majority of these markets.

Our Business Segments

Our operations are organized into four market-focused segments: Industrial Technology, Energy Systems and Controls, Scientific and Industrial Imaging and RF Technology.

Industrial Technology. Our Industrial Technology offerings include industrial pumps, equipment and consumables for materials analysis, industrial leak testing equipment, flow measurement and metering equipment and water meter and automatic meter reading products and systems. These products and solutions are provided through six U.S.-based and two European-based operating units.

Energy Systems and Controls. Our Energy Systems and Controls segment principally produces control systems, fluid properties testing equipment, industrial valves and controls, vibration and other non-destructive inspection and measurement products and solutions, which are provided through six U.S.-based operating units.

Scientific and Industrial Imaging. Our Scientific and Industrial Imaging offerings include high performance digital imaging products and software, patient positioning products and software in medical applications and handheld and vehicle mount computers and software. These products and solutions are provided through six U.S.-based and one Canadian-based operating units.

RF Technology. The RF Technology segment provides radio frequency identification and other communication related technologies and software solutions that are used primarily in comprehensive toll and traffic systems and processing, security and access control, campus card systems, freight matching, mobile asset tracking and water sub-metering and remote monitoring applications. These products and solutions are provided through six U.S.-based and one European-based operating units.

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Recent Developments

Recent Acquisitions. As previously announced, we completed acquisitions of Verathon, Inc., a leading provider of proprietary medical devices, in December 2009, and United Toll Services, LLC, a provider of software and in-lane hardware systems for toll and traffic solutions, in October 2009.

S&P 500 Index. Standard & Poor s, a division of The McGraw-Hill Companies, has announced that, effective as of the close of trading on December 22, 2009, our common stock will be added to the S&P 500 Index. The S&P 500 Index is an index comprised of 500 leading companies in leading industries of the U.S. economy. Companies included in the index are selected by the S&P Index Committee, a team of Standard & Poor s economists and index analysts, whose goal is to ensure that the index remains a leading indicator of U.S. equities by following a set of published guidelines and policies.

Our principal executive offices are located at 6901 Professional Parkway East, Suite 200, Sarasota, Florida 34240, and our telephone number is (941) 556-2601. We maintain a website at www.roperind.com where general information about us is available. We are not incorporating the contents of our website into this prospectus supplement.

The Offering

The following summary contains certain material information about the shares of common stock offered herein and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of these securities, please refer to the section entitled Description of Capital Stock in the accompanying prospectus.

Common stock outstanding before this offering	91,240,628 shares
Common stock offered	2,300,000 shares of common stock, $0.01 par value per share
Common stock to be outstanding immediately after this offering	93,540,628 shares
Use of proceeds	The net proceeds from the sale of the common stock will be used to reduce outstanding indebtedness under a credit facility in which affiliates of J.P. Morgan Securities Inc. are lenders. See Use of Proceeds in this prospectus supplement.
Conflict of interest	As described in Use of Proceeds, the net proceeds of this offering will be used to reduce outstanding indebtedness under a credit facility in which affiliates of J.P. Morgan Securities Inc. are lenders. Because more than 5% of the proceeds of this offering, not including underwriting compensation, may be received by affiliates of J.P. Morgan Securities Inc., this offering is being conducted in compliance with NASD Rule 2720, as administered by the Financial Industry Regulatory Authority (FINRA). Pursuant to Rule 2720, the appointment of a qualified independent underwriter is not necessary in connection with this offering, as the offering is of equity securities that have a bona fide public market. J.P. Morgan Securities Inc. has advised us that it will not confirm sales to any account over which it exercises discretionary authority without the prior written approval of the customer.
Risk factors	You should carefully consider all of the information in this prospectus supplement. In particular, you should evaluate the information set forth under Special Note on Forward-Looking Statements and Risk Factors before deciding whether to invest in our common stock.
New York Stock Exchange symbol	ROP

Unless the context requires otherwise, the number of shares of our common stock to be outstanding after this offering is based on the number of shares outstanding as of December 18, 2009. The number of shares of our common stock to be outstanding after this offering does not take into account:

- 4,304,707 shares of common stock issuable upon the exercise of outstanding stock options as of December 18, 2009 at a weighted average exercise price of $39.23 per share;
- 726,783 shares of common stock issuable upon the vesting of restricted stock units as of December 18, 2009; or

an aggregate of 4,541,222 share of common stock reserved for future issuances under our Amended and Restated Employee Stock Purchase Plan and 2006 Stock Incentive Plan.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. In considering whether to invest in our common stock, you should carefully consider all the information we have included or incorporated by reference in this prospectus supplement and the accompanying prospectus. In particular, you should carefully consider the risk factors described below and the risk factors incorporated by reference from our Annual Report on Form 10-K for the year ended December 31, 2008.

Risks Related to the Offering

Our common stock price may be subject to significant fluctuations and volatility.

The market price of our common stock has been subject to significant fluctuations since the date of our initial public offering. In fiscal year 2009, our stock price has ranged from a low of $36.82 on March 9, 2009 to a high of $55.50 on December 16, 2009. These fluctuations could continue. Among the factors that could affect our stock price are:

- the anticipated and actual results of new product introductions;
- quarterly variations in our operating results;
- litigation or threats of litigation;
- changes in revenues or earnings estimates or publication of research reports by analysts;
- reports or speculation in the press, industry publications, internet communities, or investment community;
- strategic actions by us, our customers, our suppliers or our competitors, such as new product announcements, acquisitions or restructurings;
- actions by institutional stockholders or financial analysts;
- short-selling of our common stock;
- general market conditions; and
- domestic and international economic factors unrelated to our performance.

The stock markets in general, and the markets for high technology stocks in particular, have experienced high volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock.

If securities or industry analysts change to a negative outlook regarding our stock or our operating results do not meet their expectations, our stock price could decline. The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us or our products. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we

could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. Moreover, if one or more of the analysts who cover our company downgrade our stock or if our operating results do not meet their expectations, our stock price could decline.

Provisions in our charter documents and Delaware law may delay or prevent acquisition of us, which could decrease the value of shares of our common stock.

Our certificate of incorporation and bylaws and Delaware law contain provisions that could make it more difficult for a third party to acquire us without the consent of our board of directors. These provisions include a classified board of directors and limitations on actions by our stockholders by written consent. Delaware law also imposes some restrictions on mergers and other business combinations between us and any holder of 15% or

more of our outstanding common stock. In addition, our board of directors has the right to issue preferred stock without stockholder approval, which could be used to dilute the stock ownership of a potential hostile acquirer. Although we believe these provisions provide for an opportunity to receive a higher bid by requiring potential acquirers to negotiate with our Board of Directors, these provisions apply even if the offer may be considered beneficial by some stockholders.

Our Board of Directors has discretion over the timing, declaration and payment of future dividends on our common stock; therefore, we cannot guarantee that dividends will be paid out to holders of our common stock.

Holders of common stock may receive dividends when declared by our board of directors out of our funds that we can legally use to pay dividends. We may pay dividends in cash, stock or other property. In certain cases, holders of common stock may not receive dividends until we have satisfied our obligations to holders of any outstanding preferred stock. The timing, declaration and payment of future dividends is at the sole discretion of our Board of Directors and depends upon our profitability, financial condition, capital needs, future prospects and other factors deemed relevant by our Board of Directors. Based upon these factors, the Board of Directors may decide not to declare or pay a dividend to holders of our capital stock.

Risks Related to Our Business

We hereby incorporate by reference risk factors in section Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2008.

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USE OF PROCEEDS

We estimate our net proceeds will be approximately $123.8 million at an assumed public offering price of $54.19 per share, which was the closing price of our common stock on December 18, 2009, after deducting underwriting discounts and commissions and estimated offering expenses. We intend to use the net proceeds from the sale of common stock issued pursuant to this prospectus supplement to reduce outstanding indebtedness under a revolving credit facility pursuant to a credit agreement dated July 7, 2008 by and among us, several of our subsidiaries and the lenders party thereto (including affiliates of J.P. Morgan Securities Inc.) and JPMorgan Chase Bank, N.A. as administrative agent for such lenders. We used these borrowings to refinance certain of our indebtedness outstanding prior to entering into the credit agreement, to finance acquisitions and for general corporate purposes. The revolving facility will mature on July 7, 2013. The applicable interest rate on the revolving facility to be repaid will be determined in accordance with Sections 2.14 and 2.15(a) of the credit agreement, and is currently the Eurocurrency rate under the agreement plus 1.3%. Pursuant to the terms of the credit agreement, we may reborrow amounts that we repay under the revolving credit facility.

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PRICE RANGE OF COMMON STOCK AND DIVIDENDS

Our common stock trades on the NYSE under the symbol ROP . The table below sets forth the range of high and low closing prices for our common stock as reported by the NYSE, as well as cash dividends declared during each of our 2009 and 2008 quarters.

		High	Low	Cash Dividends Declared (per-share)
2009	4th Quarter through December 18, 2009	$ 55.04	$ 47.50	$ 0.0950
	3rd Quarter	53.05	42.27	0.0825
	2nd Quarter	47.99	41.03	0.0825
	1st Quarter	45.73	36.96	0.0825
2008	4th Quarter	$ 54.66	$ 35.19	$ 0.0825
	3rd Quarter	65.49	54.75	0.0725
	2nd Quarter	67.70	59.39	0.0725
	1st Quarter	61.01	50.05	0.0725
2007	4th Quarter	$ 70.81	$ 60.43	$ 0.0725
	3rd Quarter	65.50	58.36	0.0650
	2nd Quarter	58.36	53.88	0.0650
	1st Quarter	55.14	48.61	0.0650

The closing price of our common stock, as reported by the New York Stock Exchange, on December 18, 2009 was $54.19. Based on information available to us and our transfer agent, we believe that as of December 18, 2009 there were 274 record holders of our common stock.

Dividends

Roper has declared a cash dividend in each quarter since our February 1992 initial public offering and we have annually increased our per-share dividend since our initial public offering. In November 2009, our Board of Directors declared a quarterly dividend of $0.0950 per share payable on January 28, 2010 to stockholders of record as of January 8, 2010, representing an increase of approximately 15% over the preceding quarter. The timing, declaration and payment of future dividends is at the sole discretion of our Board of Directors and will depend upon our profitability, financial condition, capital needs, future prospects and other factors deemed relevant by our Board of Directors.

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CAPITALIZATION

The following table sets forth a summary of our cash and cash equivalents and our consolidated capitalization as of September 30, 2009 on an actual basis and on an as adjusted basis to reflect the offering of the shares by this prospectus supplement. Our consolidated capitalization, as so adjusted to reflect this offering, gives effect to the issuance of the shares offered by this prospectus supplement and the application of net proceeds therefrom.

You should read this table in conjunction with Use of Proceeds and with the Management s Discussion and Analysis of Financial Condition and Results of Operations section and our consolidated financial statements and the related notes incorporated by reference in this prospectus supplement and the accompanying prospectus.

	As of September 30, 2009	
	Actual	As Adjusted for the Offering
	(Unaudited, in thousands)	
Cash and cash equivalents	$ 256,024	$ 379,838[1]
Current and non-current long-term debt	1,124,209	1,124,209[1]
Stockholders equity:		
Preferred stock, $0.01 par value authorized: 1,000 shares; outstanding: none		
Common stock, $0.01 par value per share authorized: 350,000 shares; 93,149,753 shares issued, actual, and 95,449,753 shares issued, as adjusted, and 90,991,797 shares outstanding, actual, and 93,291,797 shares outstanding, as adjusted	931	954
Additional paid-in capital	846,966	970,757
Retained earnings	1,332,555	1,332,555
Accumulated other comprehensive earnings	63,425	63,425
Treasury stock	(21,402)	(21,402)
Total stockholders equity	2,222,475	2,346,289
Total capitalization	$ 3,346,684	$ 3,470,498

(1) As discussed under Use of Proceeds, we intend to use the net proceeds from the sale of common stock issued pursuant to this prospectus supplement to reduce outstanding indebtedness under a revolving credit facility. The borrowings that we intend to repay were incurred subsequent to September 30, 2009. Accordingly, our cash and cash equivalents as adjusted for the offering has been increased by the net proceeds, and our current and non-current long-term debt as adjusted for the offering has not been reduced by the net proceeds. As of December 18, 2009, our borrowings under the revolving credit facility totaled $239 million, which we expect to be reduced to approximately $115 million after application of the net proceeds.

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CERTAIN ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended (ERISA), imposes certain requirements on employee benefit plans subject to Title I of ERISA, plans subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the Code) and entities that are deemed to hold the assets of any such plans (ERISA Plans), and on those persons who are fiduciaries with respect to such ERISA Plans.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan and certain persons (referred to as parties in interest or disqualified persons) having certain relationships to such ERISA Plans, unless an exemption is applicable to the transaction. A party in interest or disqualified person who engaged in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and/or the Code. A prohibited transaction within the meaning of ERISA and the Code could arise if the common stock is acquired by an ERISA Plan to which we, the underwriters or any of our or their respective affiliates is a party in interest and such acquisition is not entitled to an applicable exemption, of which there are many. Any Plan fiduciary which proposes to cause an ERISA Plan to purchase our common stock should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such purchase will not constitute a non-exempt prohibited transaction.

Governmental plans, certain church plans and foreign plans, while not subject to the fiduciary responsibility or prohibited transaction provisions of Title I of ERISA or Section 4975 of the Code, may nevertheless be subject to other federal, state, non-U.S. or other laws that are substantially similar to the foregoing provisions of Title I of ERISA or Section 4975 of the Code (collectively, Similar Laws). Fiduciaries of any such plans should consult with their counsel before purchasing our common stock.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing our common stock on behalf of, or with the assets of, any ERISA Plan, or any plan subject to any Similar Law, consult with their counsel regarding the matters described herein.

MATERIAL U.S. FEDERAL TAX CONSEQUENCES FOR NON-U.S. HOLDERS

The following is a general discussion of the material U.S. federal income and estate tax consequences of the ownership and disposition of our common stock by a beneficial owner that is a Non-U.S. Holder, other than a Non-U.S. Holder that owns, or has owned, actually or constructively, more than 5% of our common stock. A Non-U.S. Holder is a person or entity that, for U.S. federal income tax purposes, is a:

- nonresident alien individual, other than certain former citizens and residents of the United States subject to tax as expatriates;
- foreign corporation; or
- foreign estate or trust.

A Non-U.S. Holder does not include a nonresident alien individual who is present in the United States for 183 days or more in the taxable year of disposition. Such an individual is urged to consult his or her own tax adviser regarding the U.S. federal income tax consequences of the sale, exchange or other disposition of our common stock.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds our common stock, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding our common stock and partners in such partnerships are urged to consult their tax advisers as to the particular U.S. federal income tax consequences of holding and disposing of our common stock.

This discussion is based on the Internal Revenue Code of 1986, as amended (the Code), and administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, changes to any of which subsequent to the date of this prospectus supplement may affect the tax consequences described herein. This discussion does not address all aspects of U.S. federal income and estate taxation that may be relevant to a Non-U.S. Holder in light of its particular circumstances (including if such holder is a controlled foreign corporation, passive foreign investment company or pass-through entity for U.S. federal income tax purposes) and does not address any tax consequences arising under the laws of any state, local or foreign jurisdiction. Prospective holders are urged to consult their tax advisers with respect to the particular tax consequences to them of owning and disposing of our common stock, including the consequences under the laws of any state, local or foreign jurisdiction.

Dividends

Dividends paid to a Non-U.S. Holder of our common stock generally will be subject to withholding tax at a 30% rate or a reduced rate specified by an applicable income tax treaty. In order to obtain a reduced rate of withholding, a Non-U.S. Holder will be required to provide an Internal Revenue Service Form W-8BEN certifying its entitlement to benefits under a treaty.

If dividends paid to a Non-U.S. Holder are effectively connected with the Non-U.S. Holder s conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment in the United States), the Non-U.S. Holder, although exempt from the withholding tax discussed in the preceding paragraph, will generally be taxed in the same manner as a U.S. person. In this case, the Non-U.S. Holder will not be subject to any U.S. withholding tax if the Non-U.S. Holder complies with applicable certification and disclosure requirements. In general, the Non-U.S. Holder will be required to provide a properly executed Internal Revenue Service Form W-8ECI in order to claim an exemption from withholding. A foreign corporation receiving effectively connected dividends may also be subject to an additional branch profits tax imposed at a rate of 30% (or a lower treaty rate).

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Gain on Disposition of Common Stock

A Non-U.S. Holder generally will not be subject to U.S. federal income tax on gain realized on a sale or other disposition of our common stock unless:

- the gain is effectively connected with a trade or business of the Non-U.S. Holder in the United States (subject to an applicable income tax treaty providing otherwise), or

- we are or have been a United States real property holding corporation, as defined in the Code, at any time within the five-year period preceding the disposition or the Non-U.S. Holder s holding period, whichever period is shorter, and our common stock has ceased to be traded on an established securities market prior to the beginning of the calendar year in which the sale or disposition occurs.

We believe that we are not, and do not anticipate becoming, a United States real property holding corporation.

If a Non-U.S. Holder is engaged in a trade or business in the United States and gain recognized by the Non-U.S. Holder on a sale or other disposition of our common stock is effectively connected with a conduct of such trade or business, the Non-U.S. Holder will generally be taxed in the same manner as a U.S. person, subject to an applicable income tax treaty providing otherwise. Non-U.S. Holders whose gain from dispositions of our common stock may be effectively connected with a conduct of a trade or business in the United States are urged to consult their own tax advisers with respect to the U.S. tax consequences of the ownership and disposition of our common stock, including the possible imposition of a branch profits tax.

Information Reporting Requirements and Backup Withholding

Information returns will be filed with the Internal Revenue Service in="right" style="border-top: 1px solid #000000">

Comprehensive loss before noncontrolling interest	(3,006)	(16,288)
Comprehensive income attributable to noncontrolling interest	117	568
Comprehensive loss	$(2,889)	$(15,720)

(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:

	Unrealized Loss on Derivative	Pension	Foreign Currency	Accumulated Other

(In thousands)	Financial Instruments	Plan Adjustment	Translation Adjustment	Comprehensive Income (Loss)
Balance, August 31, 2009	$ (2,506)	$ (6,999)	$ (285)	$ (9,790)
First quarter activity	(562)		917	355
Balance, November 30, 2009	$ (3,068)	$ (6,999)	$ 632	$ (9,435)

Note 10 Loss Per Share

The reconciliation of shares used in the computation of the Company s basic and diluted loss per common share is as follows:

	Three Months Ended November 30,	
(In thousands)	2009	2008
Weighted average basic common shares outstanding	17,087	16,629
Dilutive effect of employee stock options [(1)]		
Dilutive effect of warrants [(1)]		
Weighted average diluted common shares outstanding	17,087	16,629

[(1)] Dilutive effect of common stock equivalents excluded from per share calculation in 2009 and 2008 due to net loss.

Note 11 Stock Based Compensation

All stock options were vested prior to September 1, 2005 and accordingly no compensation expense was recorded for stock options for the three months ended November 30, 2009 and 2008. The value of stock awarded under restricted stock grants is amortized as compensation expense over the vesting period, which is generally between two to five years. For the three months ended November 30, 2009 and 2008, $1.4 million and $1.1 million in compensation expense was recorded for restricted stock grants.

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Note 12 Derivative Instruments

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

At November 30, 2009 exchange rates, forward exchange contracts for the purchase of Polish Zloty and the sale of Euro aggregated $44.3 million and sale of Pound Sterling aggregated $1.7 million. Adjusting the foreign currency exchange contracts to the fair value of the cash flow hedges at November 30, 2009 resulted in an unrealized pre-tax loss of $0.4 million that was recorded in accumulated other comprehensive loss. The fair value of the contracts is included in accounts payable and accrued liabilities or accounts receivable on the Consolidated Balance Sheet. As the contracts mature at various dates through June 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 November 30, 2009, an interest rate swap agreement had a notional amount of $46.6 million and matures March 2014. The fair value of this cash flow hedge at November 30, 2009 resulted in an unrealized pre-tax loss of $4.4 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 November 30, 2009 interest rates, approximately $1.4 million would be reclassified to interest expense in the next 12 months.

Fair Values of Derivative Instruments

	Asset Derivatives			**Liability Derivatives**		
		November 30,			November 30,	
		2009	2008		2009	2008
(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	$ 900	$	Accounts payable and accrued liabilities	$ 1,350	$ 3,579
Interest rate swap contracts	Other assets			Accounts payable and accrued liabilities	4,427	3,662
		$ 900	$		$ 5,777	$ 7,241

Derivatives not designated as hedging instruments

Foreign forward exchange contracts	Accounts receivable	$	61	$ 12	Accounts payable and accrued liabilities	$	223	$ 2,239

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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 Three months ended November 30, 2009	2008
Foreign forward exchange contract	Interest and foreign exchange	$ (367)	$ (3,068)

Derivatives in cash flow hedging relationships	Loss recognized in OCI on derivatives (effective portion) Three months ended November 30, 2009	2008	Location of loss reclassified from accumulated OCI into income	Loss reclassified from accumulated OCI into income (effective portion) Three months ended November 30, 2009	2008	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) Three months ended November 30, 2009	2008
Foreign forward exchange contracts	$ (151)	$ (6,434)	Revenue	$ (246)	$ (1,039)	Interest and foreign exchange	$	$ (1,200)
Interest rate swap contracts	(809)	(3,339)	Interest and foreign exchange	(437)	(55)	Interest and foreign exchange		
	$ (960)	$ (9,773)		$ (683)	$ (1,094)		$	$ (1,200)

Note 13 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.

	Three Months Ended November 30,	
(In thousands)	2009	2008[(1)]
Revenue:		
Manufacturing	$ 74,637	$ 120,045
Refurbishment & Parts	93,184	133,613
Leasing & Services	18,878	21,421
Intersegment eliminations	(15,006)	(18,950)
	$ 171,693	$ 256,129

(In thousands)	Three Months Ended November 30, 2009	2008[1]
Margin:		
Manufacturing	$ 4,231	$ (4,206)
Refurbishment & Parts	9,697	12,953
Leasing & Services	7,714	9,204
Segment margin total	21,642	17,951
Less: unallocated expenses:		
Selling and administrative	16,208	15,980
Interest and foreign exchange	11,112	11,771
Loss before income taxes, noncontrolling interest and equity in unconsolidated subsidiary	$ (5,678)	$ (9,800)

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

Note 14 Commitments and Contingencies

Environmental studies have been conducted of the Company s owned and leased properties that indicate additional investigation and some remediation on certain properties may be necessary. The Company s Portland, Oregon manufacturing facility is located adjacent to the Willamette River. The United States Environmental Protection Agency (EPA) has classified portions of the river bed, including the portion fronting Greenbrier s facility, as a federal National Priority List or Superfund site due to sediment contamination (the Portland Harbor Site). Greenbrier and more than 80 other parties have received a General Notice of potential liability from the EPA relating to the Portland Harbor Site. The letter advised the Company that it may be liable for the costs of investigation and remediation (which liability may be joint and several with other potentially responsible parties) as well as for natural resource damages resulting from releases of hazardous substances to the site. At this time, ten private and public entities, including the Company, have signed an Administrative Order on Consent (AOC) to perform a remedial investigation/feasibility study (RI/FS) of the Portland Harbor Site under EPA oversight, and several additional entities have not signed such consent, but are nevertheless contributing money to the effort. The study is expected to be completed in 2011. In February 2008, the EPA sought information from over 200 additional entities, including other federal agencies in order to determine whether additional General Notice letters were warranted. Seventy-one parties have entered into a non-judicial mediation process to try to allocate costs associated with the Portland Harbor site. 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. As of October 21, 2009, all but 12 of these parties elected to sign tolling agreements and be dismissed without prejudice. The case has now been stayed pending completion of 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 is presently scheduled for April 2011.

Greenbrier and a customer, SEB Finans AB (SEB), have raised performance concerns related to a component that the Company installed on 372 railcar units with an aggregate sales value of approximately $20.0 million produced under a contract with SEB. On December 9, 2005, SEB filed a Statement of Claim in an arbitration proceeding in Stockholm, Sweden, against Greenbrier alleging that the cars were defective and could not be used for their intended purpose. A settlement agreement was entered into effective February 28, 2007 pursuant to which the railcar units previously delivered were to be repaired and the remaining units completed and delivered to SEB. Greenbrier is proceeding with repairs of the railcars in accordance with terms of the settlement agreement, 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 has entered into contingent rental assistance agreements, aggregating $6.6 million, on certain railcars subject to leases that have been sold to third parties. These agreements guarantee the purchasers a minimum lease rental, subject to a maximum defined rental assistance amount, over remaining periods of up to three years. A liability is established and revenue is reduced in the period during which a determination can be made that it is probable that a rental shortfall will occur and the amount can be estimated. For the three months ended November 30, 2009 an accrual of $0.1 million was recorded to cover future obligations. For the three months ended November 30, 2008 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 November 30, 2009. All of these agreements were entered into prior to December 31, 2002 and have not been modified since.

A portion of Leasing & Services revenue is derived from car hire which is a fee that a railroad pays for the use of railcars owned by other railroads or third parties. Car hire earned by a railcar is usually made up of hourly and mileage components. Railcar owners and users have the right to negotiate car hire rates. If the railcar owner and railcar user cannot come to an agreement on a car hire rate then either party has the right to call for arbitration. In arbitration either the owner s or user s rate is selected and that rate becomes effective for a one-year period. There is some risk that car hire rates could be negotiated or arbitrated to lower levels in the future. This could reduce future car hire revenue for the Company which amounted to $4.0 million and $5.9 million for the three months ended November 30, 2009 and 2008.

In accordance with customary business practices in Europe, the Company has $14.4 million in bank and third party performance and warranty guarantee facilities, all of which have been utilized as of November 30, 2009. To date no amounts have been drawn under these performance and warranty guarantee facilities.

At November 30, 2009, an unconsolidated subsidiary had $2.2 million of third party debt, for which the Company has guaranteed 33% or approximately $0.7 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 $4.0 million associated with facility leases and payroll.

Note 15 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 November 30, 2009	$527,837	$510,807
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. The fair value of deferred participation is estimated by discounting the estimated future cash payments using the Company s estimated incremental borrowing rate.

Note 16 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 November 30, 2009 are:

(In thousands)	**Total**	**Level 1**	**Level 2(1)**	**Level 3**
Assets:				
Derivative financial instruments	$ 961	$	$ 961	$
Nonqualified savings plan	6,326	6,326		
Money market and other short term investments	29,951	29,951		
	$ 37,238	$ 36,277	$ 961	$
Liabilities:				
Derivative financial instruments	$ 6,000	$	$ 6,000	$

(1) Level 2 assets include derivative financial instruments

which are
valued based on
significant
observable
inputs. See note
12 for further
discussion.

Assets or liabilities measured at fair value on a nonrecurring basis as of November 30, 2009 are:

(In thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets:				
Goodwill	$137,066	$	$	$137,066
Liabilities:				
Warrants	$ 11,175	$	$	$ 11,175

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Note 17 Guarantor/Non Guarantor

The $235 million combined senior unsecured notes (the Notes) issued on May 11, 2005 and November 21, 2005 and $100 million of convertible senior notes issued on May 22, 2006 are fully and unconditionally and jointly and severally guaranteed by substantially all of Greenbrier s material wholly owned United States subsidiaries: Autostack Company LLC, Greenbrier-Concarril, LLC, Greenbrier Leasing Company LLC, Greenbrier Leasing Limited Partner, LLC, Greenbrier Management Services, LLC, Greenbrier Leasing, L.P., Greenbrier Railcar LLC, Gunderson LLC, Gunderson Marine LLC, Gunderson Rail Services LLC, Meridian Rail Holdings Corp., Meridian Rail Acquisition Corp., Meridian Rail Mexico City Corp., Brandon Railroad LLC, Gunderson Specialty Products, LLC, Greenbrier Railcar Leasing, Inc. and Softronics, Inc. No other subsidiaries guarantee the Notes including Greenbrier Europe B.V., Greenbrier Germany GmbH, WagonySwidnica S.A., Gunderson-Concarril, S.A. de C.V., Greenbrier-Gimsa, LLC and Gunderson-Gimsa S de RL de C.V.

The following represents the supplemental condensed consolidating financial information of Greenbrier and its guarantor and non guarantor subsidiaries, as of November 30, 2009 and August 31, 2009 and for the three months ended November 30, 2009 and 2008. The information is presented on the basis of Greenbrier accounting for its ownership of its wholly owned subsidiaries using the equity method of accounting. The equity method investment for each subsidiary is recorded by the parent in intangibles and other assets. Intercompany transactions of goods and services between the guarantor and non guarantor subsidiaries are presented as if the sales or transfers were at fair value to third parties and eliminated in consolidation.

The Greenbrier Companies, Inc.
Condensed Consolidating Balance Sheet
November 30, 2009
(In thousands)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	$ 50,072	$ 244	$ 15,077	$	$ 65,393
Restricted cash		1,599	1,801		3,400
Accounts and notes receivable	63,668	24,321	10,464	2	98,455
Inventories		108,285	46,775		155,060
Assets held for sale		34,944	306	(299)	34,951
Equipment on operating leases		318,145		(2,066)	316,079
Investment in direct finance leases		7,826			7,826
Property, plant and equipment	5,101	84,186	37,710		126,997
Goodwill		137,066			137,066
Intangibles and other	499,068	102,684	2,333	(509,792)	94,293
	$ 617,909	$ 819,300	$ 114,466	$ (512,155)	$ 1,039,520
Liabilities and Stockholders Equity					
Revolving notes	$	$	$ 12,807	$	$ 12,807
Accounts payable and accrued liabilities	2,325	124,356	41,992	2	168,675
Losses in excess of investment in de-consolidated subsidiary	15,313				15,313
Deferred income taxes	(5,462)	79,500	(5,521)	(544)	67,973
Deferred revenue	737	16,575			17,312
Notes payable	382,791	143,427	1,619		527,837
Stockholders equity controlling interest	222,205	455,442	63,569	(519,011)	222,205
Noncontrolling interest				7,398	7,398
Total Stockholders Equity	222,205	455,442	63,569	(511,613)	229,603
	$ 617,909	$ 819,300	$ 114,466	$ (512,155)	$ 1,039,520

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The Greenbrier Companies, Inc.
Condensed Consolidating Statement of Operations
For the quarter ended November 30, 2009
(In thousands)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue					
Manufacturing	$	$ 20,347	$ 54,161	$ (14,430)	$ 60,078
Refurbishment & Parts		92,983			92,983
Leasing & Services	536	18,537		(441)	18,632
	536	131,867	54,161	(14,871)	171,693
Cost of revenue					
Manufacturing		19,334	49,383	(12,870)	55,847
Refurbishment & Parts		83,286			83,286
Leasing & Services		10,935		(17)	10,918
		113,555	49,383	(12,887)	150,051
Margin	536	18,312	4,778	(1,984)	21,642
Other costs					
Selling and administrative expense	7,814	5,036	3,358		16,208
Interest and foreign exchange	9,565	1,121	867	(441)	11,112
	17,379	6,157	4,225	(441)	27,320
Earnings (loss) before income taxes, noncontrolling interest and equity in unconsolidated subsidiary	(16,843)	12,155	553	(1,543)	(5,678)
Income tax (expense) benefit	6,747	(4,878)	324	307	2,500
	(10,096)	7,277	877	(1,236)	(3,178)
Equity in earnings (loss) of unconsolidated subsidiaries	6,852	(1,603)		(5,432)	(183)
Net earnings (loss)	(3,244)	5,674	877	(6,668)	(3,361)
Less: Net loss attributable to noncontrolling interest				117	117
Net earnings (loss) attributable to controlling interest	$ (3,244)	$ 5,674	$ 877	$ (6,551)	$ (3,244)

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The Greenbrier Companies, Inc.
Condensed Consolidating Statement of Cash Flows
For the quarter ended November 30, 2009
(In thousands)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net earnings (loss)	$ (3,244)	$ 5,674	$ 877	$ (6,668)	$ (3,361)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:					
Deferred income taxes	(3,408)	1,963	(396)	614	(1,227)
Depreciation and amortization	491	7,071	1,847	(17)	9,392
Gain on sales of equipment		(851)			(851)
Accretion of debt discount	2,116				2,116
Other	1,368	88	10	(1,209)	257
Decrease (increase) in assets					
Accounts receivable	(3,922)	9,543	9,401	1,066	16,088
Inventories		(7,185)	(4,380)		(11,565)
Assets held for sale		(3,404)	(113)	299	(3,218)
Other	545	1,356	550		2,451
Increase (decrease) in liabilities					
Accounts payable and accrued liabilities	(5,711)	2,765	(212)	2	(3,156)
Deferred revenue	(39)	(1,790)			(1,829)
Net cash provided by (used in) operating activities	(11,804)	15,230	7,584	(5,913)	5,097
Cash flows from investing activities:					
Principal payments received under direct finance leases		115			115
Proceeds from sales of equipment		2,667			2,667
Investment in and advances to unconsolidated subsidiaries	(6,852)	970		5,432	(450)
Intercompany advances	12			(12)	
Increase in restricted cash		(516)	(1,801)		(2,317)
Capital expenditures	(436)	(11,692)	(292)	481	(11,939)
Net cash provided by (used in) investing activities	(7,276)	(8,456)	(2,093)	5,901	(11,924)

Cash flows from financing activities:					
Changes in revolving notes			(3,896)		(3,896)
Intercompany advances	5,667	(5,531)	(148)	12	
Net proceeds from issuance of notes payable			1,712		1,712
Repayments of notes payable		(1,045)	(202)		(1,247)
Net cash provided by (used in) financing activities	5,667	(6,576)	(2,534)	12	(3,431)
Effect of exchange rate changes		(375)	(161)		(536)
Increase (decrease) in cash and cash equivalents	(13,413)	(177)	2,796		(10,794)
Cash and cash equivalents Beginning of period	63,485	421	12,281		76,187
End of period	$ 50,072	$ 244	$ 15,077	$	$ 65,393

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

	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 and notes 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	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 Stockholders 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	(5,124)	(1,159)	69,199
Deferred revenue	776	18,474			19,250
Notes payable	380,676	144,473			525,149
Stockholders equity controlling interest	223,726	450,143	61,961	(512,104)	223,726
Noncontrolling interest				8,724	8,724
Total Stockholders Equity	223,726	450,143	61,961	(503,380)	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.

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The Greenbrier Companies, Inc.
Condensed Consolidating Statement of Operations
For the quarter ended November 30, 2008
(In thousands)

	Parent[1]	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated[1]
Revenue					
Manufacturing	$	$ 41,643	$ 84,861	$ (23,787)	$ 102,717
Refurbishment & Parts		132,259	20		132,279
Leasing & Services	364	21,119		(350)	21,133
	364	195,021	84,881	(24,137)	256,129
Cost of revenue					
Manufacturing		44,556	85,979	(23,612)	106,923
Refurbishment & Parts		119,303	23		119,326
Leasing & Services		11,946		(17)	11,929
		175,805	86,002	(23,629)	238,178
Margin	364	19,216	(1,121)	(508)	17,951
Other costs					
Selling and administrative expense	6,493	7,097	2,390		15,980
Interest and foreign exchange	7,952	1,530	2,640	(351)	11,771
	14,445	8,627	5,030	(351)	27,751
Earnings (loss) before income taxes, noncontrolling interest and equity in unconsolidated subsidiary	(14,081)	10,590	(6,151)	(157)	(9,800)
Income tax (expense) benefit	7,603	(4,437)	1,338	402	4,906
	(6,478)	6,152	(4,813)	245	(4,894)
Equity in earnings (loss) of unconsolidated subsidiaries	2,586	(1,485)		(667)	434
Net earnings (loss)	(3,892)	4,667	(4,813)	(422)	(4,460)
Less: Net loss attributable to noncontrolling interest			28	540	568
Net earnings (loss) attributable to the controlling interest	$ (3,892)	$ 4,667	$ (4,785)	$ 118	$ (3,892)

(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.
Condensed Consolidating Statement of Cash Flows
For the quarter ended November 30, 2008
(In thousands)

	Parent[1]	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated[1]
Cash flows from operating activities:					
Net earnings (loss)	$ (3,892)	$ 4,667	$ (4,813)	$ (422)	$ (4,460)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:					
Deferred income taxes	82	1,657	602	(181)	2,160
Depreciation and amortization	310	7,209	2,054	(17)	9,556
Gain on sales of equipment		(289)			(289)
Accretion of debt discount	925				925
Other		135	1,210	(1,147)	198
Decrease (increase) in assets					
Accounts receivable	(2,320)	1,197	20,861	(893)	18,845
Inventories		(7,431)	(7,829)		(15,260)
Assets held for sale		(11,762)	879		(10,883)
Other	294	1,073	(402)	(496)	469
Increase (decrease) in liabilities					
Accounts payable and accrued liabilities	10,452	(29,429)	(7,077)	707	(25,347)
Deferred revenue	(39)	3,215	(1,464)		1,712
Net cash provided by (used in) operating activities	5,812	(29,758)	4,021	(2,449)	(22,374)
Cash flows from investing activities:					
Principal payments received under direct finance leases		105			105
Proceeds from sales of equipment		306			306
Investment in and advances to unconsolidated subsidiaries	(4,281)	1,919		2,362	
Decrease in restricted cash			433		433
Capital expenditures	(691)	(5,066)	(2,803)	87	(8,473)
Net cash provided by (used in) investing activities	(4,972)	(2,736)	(2,370)	2,449	(7,629)

Cash flows from financing activities:					
Changes in revolving notes	55,100		(4,038)		51,062
Intercompany advances	(43,605)	37,557	6,048		
Repayments of notes payable	(355)	(3,543)	(291)		(4,189)
Investment by joint venture partner			1,400		1,400
Other	1,152				1,152
Net cash provided by financing activities	12,292	34,014	3,119		49,425
Effect of exchange rate changes	19	(3,113)	(3,520)		(6,614)
Increase (decrease) in cash and cash equivalents	13,151	(1,593)	1,250		12,808
Cash and cash equivalents					
Beginning of period		1,593	4,364		5,957
End of period	$ 13,151	$	$ 5,614	$	$ 18,765

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

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Note 18 Subsequent Events

Subsequent to quarter end, the Company amended its new railcar manufacturing agreement with General Electric Railcar Services Corporation (GER), a subsidiary of GE Capital, GE s financial services business. Under the terms of the original 2007 contract, the Company was to manufacture 11,900 new tank cars and hopper cars for GER over an eight-year period, of which the last 8,500 units would be delivered subject to Greenbrier s fulfillment of certain contractual conditions. Deliveries to GER commenced in December 2008 and as of December 15, 2009 approximately 600 railcars had been delivered and accepted under the original contract.

Under the terms of the modified contract, the parties agreed to reduce the contract quantities to up to 6,000 railcars. Greenbrier expects to build the first 3,800 tank cars and hopper cars by July 2013. The delivery and purchase price of these units is agreed upon, with the purchase price subject to adjustments for changes in the Company s material costs. The blended purchase price on these 3,800 units represents a price increase from the original contract and delivery of these units has been extended by 27 months from the original contract. 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 next five-year period. In addition, Greenbrier has retained the right of first refusal, subject to certain qualifications, to manufacture all new railcar builds for GER through December 2018.

In addition, Greenbrier will become a Preferred Railcar Maintenance Provider for GER s fleet of railcars and will perform railcar maintenance and refurbishment work for GER under a new five-year agreement with a minimum contract value of approximately $25 million. Under this contract, Greenbrier will, in the third quarter of fiscal 2010, begin to cut-down 485 double-stack intermodal platforms from 48 in length to 40 in length at the Company s Gunderson facility in Portland, Oregon. In certain situations, Greenbrier has also obtained a right of first refusal, subject to certain qualifications, to perform railcar refurbishment and program work through March 7, 2015. Greenbrier will share with Greenbrier-GIMSA LLC in an equitable manner all of the benefits (net of any expenses) received from GER as a result of the amended agreement.

Greenbrier has financed the working capital needs of its Mexican joint venture through a $27.0 million secured, interest bearing loan. The Company is seeking a third party line of credit to support the joint venture due in part to current limitations in the Company s existing loan covenants. In September 2009, the joint venture obtained a $1.8 million term loan, secured by certain of the joint venture s property, plant and equipment. Subsequent to quarter end the joint venture repaid $1.8 million of the Greenbrier loan. Also subsequent to quarter end the joint venture obtained a revolving line of credit of up to $10.0 million secured by certain of the joint venture s accounts receivable and inventory.

Management has evaluated subsequent events as of January 8, 2010, the date the financial statements were issued, and has determined there are no other subsequent events to be reported.

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

Executive Summary

We operate in three primary business segments: Manufacturing, Refurbishment & Parts and Leasing & Services. These three business segments are operationally integrated. The Manufacturing segment, operating from four facilities in the United States, Mexico and Poland, produces double-stack intermodal railcars, conventional railcars, tank cars and marine vessels. The Refurbishment & Parts segment performs railcar repair, refurbishment and maintenance activities in the United States and Mexico as well as wheel, axle and bearing servicing, and production and reconditioning of a variety of parts for the railroad industry. The Leasing & Services segment owns approximately 9,000 railcars and provides management services for approximately 223,000 railcars for railroads, shippers, carriers, institutional investors and other leasing and transportation companies in North America. Management evaluates segment performance based on margins. We also produce rail castings through an unconsolidated joint venture.

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, temporarily shuttering production at our other Mexican facility in Sahagun and limiting new railcar production at our Portland, Oregon facility. These conditions may also lead to the temporary idling of some of our other facilities.

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.

Subsequent to quarter end we modified our long-term new railcar contract with General Electric Railcar Services Corporation (GE). Under the terms of the modified contract, the parties have agreed to reduce the contract quantities to up to 6,000 railcars. We expect to build the first 3,800 tank cars and hopper cars by July 2013. The delivery and purchase price of these units is agreed upon, with the purchase price subject to adjustments for changes in the material costs. The blended purchase price of the 3,800 units represents a price increase from the original contract and delivery of these units has been extended by 27 months from the original contract. 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 next five-year period. 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.

In addition, we will become a Preferred Railcar Maintenance Provider for GE s fleet of railcars and will perform railcar maintenance and refurbishment work for GE under a new five-year agreement with a minimum contract value of approximately $25 million. Under this contract, we will, in the third quarter of fiscal 2010, begin to cut-down 485 double-stack intermodal platforms from 48 in length to 40 in length at our Gunderson facility in Portland, Oregon. In certain situations, we have also obtained a right of first refusal, subject to certain qualifications, to perform railcar refurbishment and program work through March 7, 2015. 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, including the GE contract modifications, as of November 30, 2009 was approximately 4,900 units with an estimated value of $430 million compared to 15,900 units valued at $1.39 billion as of November 30, 2008. The November 30, 2009 backlog does not include the contingent production of 2,200 units for GE. Based on current production plans, approximately 2,000 units in backlog are scheduled for delivery in fiscal year 2010. There are currently 400 units in backlog that are subject to certain cancellation provisions. 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 $96.0 million as of November 30, 2009, and reflects the cancellation of one barge subsequent to quarter end. Approximately $31.0 million of backlog is scheduled for delivery in the remainder of fiscal year 2010. The balance of the production is scheduled into 2012.
Prices for steel, a primary component of railcars and barges, and related surcharges have fluctuated significantly and remain volatile. In addition, the price of certain railcar components, which are a product of steel, are affected by steel price fluctuations. Prices for steel, railcar components and scrap steel have fluctuated and remain volatile. New railcar and marine backlog generally either includes fixed price contracts which anticipate material price increases and surcharges, or contracts that contain actual pass through of material price increases and 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.

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 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 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 November 30, 2009 of $137.1 million relates to the Refurbishment & Parts segment.

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.

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Results of Operations

Three Months Ended November 30, 2009 Compared to Three Months Ended November 30, 2008

Overview

Total revenue for the three months ended November 30, 2009 was $171.7 million, a decrease of $84.4 million from revenues of $256.1 million in the prior comparable period. Net loss attributable to controlling interest for the three months ended November 30, 2009 was $3.2 million or $0.19 per diluted common share compared to net loss attributable to controlling interest of $3.9 million or $0.23 per diluted common share for the three months ended November 30, 2008. The net loss attributable to controlling interest for the three months ended November 30, 2009 included noncash charges of warrant amortization expense and amortization of convertible debt discount related to the adoption of ASC 470-20 aggregating $2.1 million pre-tax, $1.2 million net of tax or $0.07 per diluted common share. The net loss attributable to controlling interest for the three months ended November 30, 2008 included noncash amortization expense of the convertible debt discount related to the adoption of ASC 470-20 of $0.9 million pre-tax, $0.6 million net of tax or $0.03 per diluted common share.

Manufacturing Segment

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

Manufacturing revenue for the three months ended November 30, 2009 was $60.1 million compared to $102.7 million in the corresponding prior period, a decrease of $42.6 million. The decrease was due to lower railcar deliveries, somewhat offset by a change in product mix with higher per unit sales prices. New railcar deliveries were approximately 350 units in the current period compared to approximately 800 units in the prior comparable period.

Manufacturing margin as a percentage of revenue for the three months ended November 30, 2009 was 7.0% compared to a margin of negative 4.1% for the three months ended November 30, 2008. The increase was primarily the result of a more favorable product mix and improved production efficiencies, partially offset by less efficient absorption of overhead due to operating at lower levels of production and plant utilization. In addition, the prior period included loss contingencies on certain production of $0.5 million.

Refurbishment & Parts Segment

Refurbishment & Parts revenue was $93.0 million for the three months ended November 30, 2009 compared to revenue of $132.3 million in the prior comparable period. The decrease of $39.3 million was primarily due to lower sales volumes across all product and service types and a further decline in the price for scrap metal, both due to the current economic environment.

Refurbishment & Parts margin as a percentage of revenue was 10.4% for the three months ended November 30, 2009 compared to 9.8% for the three months ended November 30, 2008. The increase was primarily the result of cost reduction efforts.

Leasing & Services Segment

Leasing & Services revenue was $18.6 million for the three months ended November 30, 2009 compared to $21.1 million for the three months ended November 30, 2008. 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 $0.9 million were realized on the disposition of leased equipment, compared to $0.3 million in the prior comparable period. Assets from Greenbrier s lease fleet are periodically sold in the normal course of business in order to take advantage of market conditions, manage risk and maintain liquidity.

Leasing & Services margin as a percentage of revenue was 41.4% and 43.6% for the three-month periods ended November 30, 2009 and 2008. The decrease was primarily a result of lower lease fleet utilization and lower earnings

on certain car hire utilization leases. This was partially offset by increased gains on sales of assets from the lease fleet which has no associated cost of revenue.

The percentage of owned units on lease as of November 30, 2009 was 91.3% compared to 93.3% at November 30, 2008.

Other Costs

Selling and administrative expense was $16.2 million for the three months ended November 30, 2009 compared to $16.0 million for the comparable prior period, an increase of $0.2 million. The increase was primarily due to the reversal of certain reserves of $0.2 million taken in the current year compared to $1.0 million in the prior year. Excluding these reserve reversals, selling and administrative expense was lower in the current period principally due to decreased employee related costs and the effects of cost reduction efforts.

Interest and foreign exchange expense was $11.1 million for the three months ended November 30, 2009, compared to $11.8 million in the prior comparable period. The decrease was a result of declines in interest rates, lower outstanding borrowings and a lower foreign exchange loss. The prior period included a $1.2 million foreign exchange loss that was recorded in association with foreign currency forward exchange contracts that did not qualify for hedge accounting treatment. These decreases were partially offset by two non cash items, warrant amortization expense and the amortization of the convertible debt discount.

	Three Months Ended November 30,		Increase
(In thousands)	2009	2008	(decrease)
Interest and foreign exchange:			
Interest and other expense	$ 8,808	9,665	$ (857)
Warrant amortization	1,118		1,118
Amortization of convertible debt discount	998	925	73
Foreign exchange loss	188	1,181	(993)
	$ 11,112	$ 11,771	$ (659)

Income Tax

The provision for income taxes was a benefit of $2.5 million and $4.9 million for the three months ended November 30, 2009 and 2008. The provision for income taxes is based on projected consolidated results of operations for the entire year which resulted in an estimated 36.0% 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 three months ended November 30, 2009 was 44.0% as compared to 50.1% in the prior comparable period. The actual rate of 44.0% differs from the estimated effective rate of 36.0% primarily as a result of the reversal of $0.8 million in liabilities for uncertain tax positions for which we are no longer subject to examination by tax authorities.

Liquidity and Capital Resources

We have been financed through cash generated from operations and borrowings. During the quarter ended November 30, 2009, cash decreased $10.8 million to $65.4 million from $76.2 million at August 31, 2009.

Cash provided by operations for the three months ended November 30, 2009 was $5.1 million compared to cash used in operations of $22.4 million for the three months ended November 30, 2008. 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, primarily for capital expenditures, was $11.9 million for the three months ended November 30, 2009 compared to $7.6 million in the prior comparable period.

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Capital expenditures totaled $11.9 million and $8.5 million for the three months ended November 30, 2009 and 2008. Of these capital expenditures, approximately $8.4 million and $3.3 million were attributable to Leasing & Services operations. 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 sales of equipment were $2.7 million and $0.3 million for the three months ended November 30, 2009 and 2008. Approximately $0.6 million and $4.5 million of capital expenditures for the three months ended November 30, 2009 and 2008 were attributable to manufacturing operations. Capital expenditures for manufacturing operations are expected to be approximately $7.0 million in 2010 and primarily relate to maintenance of existing equipment and ERP implementation.

Refurbishment & Parts capital expenditures for the three months ended November 30, 2009 and 2008 were $2.9 million and $0.7 million and are expected to be approximately $16.0 million in 2010 for maintenance of existing facilities and equipment, ERP implementation and some expansion.

Cash used in financing activities was $3.4 million for the three months ended November 30, 2009 compared to cash provided in financing activities of $49.4 million during the three months ended November 30, 2008. During the three months ended November 30, 2009 we repaid $3.9 million in net revolving credit lines and $1.2 million in term debt. This was partially offset by $1.7 million received in net proceeds from a new term loan borrowing. During the prior comparable period $51.1 million in net proceeds were received from revolving note borrowings.

All amounts originating in foreign currency have been translated at the November 30, 2009 exchange rate for the following discussion. As of November 30, 2009 senior secured revolving credit facilities, consisting of two components, aggregated $123.6 million. As of November 30, 2009 a $100.0 million revolving line of credit was available to provide working capital and interim financing of equipment, principally for the United States and Mexican operations. Advances under this 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 $23.6 million, 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 March 2010 through June 2010. As of November 30, 2009 outstanding borrowings under our facilities consists of $4.0 million in letters of credit outstanding under the North American credit facility and $12.8 million in revolving notes outstanding under the European credit facilities.

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

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 November 30, 2009 would allow for maximum additional borrowing of $110.5 million. The Company has an aggregate of $106.8 million available to draw down under the committed credit facilities as of November 30, 2009. This amount consists of $96.0 million available on the North American credit facility and $10.8 million on the European credit facilities.

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. Greenbrier utilizes foreign currency forward exchange contracts with established financial institutions to hedge a portion of that risk. No provision has been made for credit loss due to counterparty non-performance.

Greenbrier has financed the working capital needs of our Mexican joint venture through a $27.0 million secured, interest bearing loan. We are seeking a third party line of credit to support the joint venture due in part to current limitations in our existing loan covenants. In September 2009, the joint venture obtained a $1.8 million term loan, secured by certain of the joint venture s property, plant and equipment. Subsequent to quarter end the joint venture repaid $1.8 million of our loan. Also subsequent to quarter end the joint venture obtained a revolving line of credit of up to $10.0 million secured by certain of the joint ventures accounts receivable and inventory.

In accordance with customary business practices in Europe, we have $14.4 million in bank and third party performance and warranty guarantee facilities, all of which have been utilized as of November 30, 2009. 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 November 30, 2009, this same unconsolidated subsidiary had $2.2 million in third party debt for which we have guaranteed 33% or approximately $0.7 million. The facility has been idled and expects to restart production when demand returns. We, along with our partners, have made an additional equity investment during the first quarter of 2010, our share of which was $0.5 million. Additional investments may be required later in the 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 dividends, if any, working capital needs, planned capital expenditures and expected debt repayments for the foreseeable future.

Off Balance Sheet Arrangements

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

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risk

We have operations in Mexico, Germany and Poland that conduct business in their local currencies as well as other regional currencies. To mitigate the exposure to transactions denominated in currencies other than the functional currency of each entity, we enter into foreign currency forward exchange contracts to protect the margin on a portion of forecast foreign currency sales. At November 30, 2009, $46.0 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 November 30, 2009, net assets of foreign subsidiaries aggregated $27.2 million and a 10% strengthening of the United States dollar relative to the foreign currencies would result in a decrease in stockholders equity of $2.7 million, 1.2% of total stockholders equity. This calculation assumes that each exchange rate would change in the same direction relative to the United States dollar.

Interest Rate Risk

We have managed a portion of our variable rate debt with interest rate swap agreements, effectively converting $46.6 million of variable rate debt to fixed rate debt. As a result, we are exposed to interest rate risk relating to our revolving debt and a portion of term debt, which are at variable rates. At November 30, 2009, 67% of our debt has fixed rates and 33% has variable rates. At November 30, 2009, a uniform 10% increase in interest rates would result in approximately $0.5 million of additional annual interest expense.

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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 November 30, 2009 that have materially affected, or are reasonably likely to materially affect, the Company s internal controls over financial reporting.

Item 4T. CONTROLS AND PROCEDURES

Not applicable

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There is hereby incorporated by reference the information disclosed in Note 14 to Consolidated Financial Statements, Part I of this quarterly report.

Item 1a. Risk Factors

There have been no material changes in our risk factors described in our Annual Report on Form 10-K for the year ended August 31, 2009.

Item 6. Exhibits

(a) List of Exhibits:

31.1	Certification pursuant to Rule 13 (a) 14 (a)
31.2	Certification pursuant to Rule 13 (a) 14 (a)
32.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

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

THE GREENBRIER COMPANIES, INC.

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

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