

GREENBRIER COMPANIES INC  
Form 10-K  
November 01, 2012  
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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549-1004

**FORM 10-K**

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended August 31, 2012

or

Transition Report Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1-13146

**THE GREENBRIER COMPANIES, INC.**

(Exact name of Registrant as specified in its charter)

**Oregon** **93-0816972**  
(State of Incorporation) (I.R.S. Employer Identification No.)  
One Centerpointe Drive, Suite 200, Lake Oswego, OR 97035

(Address of principal executive offices)

(503) 684-7000

(Registrant's telephone number, including area code)

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

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

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

**None**

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

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

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Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

Aggregate market value of the Registrant's Common Stock held by non-affiliates as of February 29, 2012 (based on the closing price of such shares on such date) was \$609,194,356.

The number of shares outstanding of the Registrant's Common Stock on October 24, 2012 was 27,142,911, without par value.

### DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the Registrant's definitive Proxy Statement prepared in connection with the Annual Meeting of Stockholders to be held on January 9, 2013 are incorporated by reference into Parts II and III of this Report.

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**Forward-Looking Statements**

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

- availability of financing sources and borrowing base for working capital, other business development activities, capital spending and leased railcars for syndication (sale of railcars with lease attached);
- ability to renew, maintain or obtain sufficient credit facilities and financial guarantees on acceptable terms;
- ability to utilize beneficial tax strategies;
- ability to grow our businesses;
- ability to obtain lease and sales contracts which provide adequate protection against changes in interest rates and increased costs of materials and components;
- ability to obtain adequate insurance coverage at acceptable rates;
- ability to obtain adequate certification and licensing of products; and
- short-term and long-term revenue and earnings effects of the above items.

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

- fluctuations in demand for newly manufactured railcars or marine barges;
- fluctuations in demand for wheel services, refurbishment and parts;
- delays in receipt of orders, risks that contracts may be canceled during their term or not renewed and that customers may not purchase the amount of products or services under the contracts as anticipated;
- ability to maintain sufficient availability of credit facilities and to maintain compliance with or to obtain appropriate amendments to covenants under various credit agreements;
- domestic and global economic conditions including such matters as embargoes or quotas;
- U.S., Mexican and other global political or security conditions including such matters as terrorism, war, civil disruption and crime;
- growth or reduction in the surface transportation industry;
- ability to maintain good relationships with third party labor providers or collective bargaining units;
- steel and specialty component price fluctuations and availability, scrap surcharges, steel scrap prices and other commodity price fluctuations and availability and their impact on product demand and margin;
- delay or failure of acquired businesses, assets, start-up operations, or new products or services to compete successfully;
- changes in product mix and the mix of revenue levels among reporting segments;
- labor disputes, energy shortages or operating difficulties that might disrupt operations or the flow of cargo;
- production difficulties and product delivery delays as a result of, among other matters, inefficiencies associated with the start-up of production lines or increased production rates, changing technologies or non-performance of alliance partners, subcontractors or suppliers;
- ability to renew or replace expiring customer contracts on satisfactory terms;
- ability to obtain and execute suitable contracts for leased railcars for syndication;
- lower than anticipated lease renewal rates, earnings on utilization based leases or residual values for leased equipment;
- discovery of defects in railcars resulting in increased warranty costs or litigation;
- resolution or outcome of pending or future litigation and investigations;
- natural disasters or severe weather patterns that may affect either us, our suppliers or our customers;

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

competitive factors, including introduction of competitive products, new entrants into certain of our markets, price pressures, limited customer base, and competitiveness of our manufacturing facilities and products;

industry overcapacity and our manufacturing capacity utilization;

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

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

changes in future maintenance or warranty requirements;

ability to adjust to the cyclical nature of the industries in which we operate;

changes in interest rates and financial impacts from interest rates;

ability and cost to maintain and renew operating permits;

actions by various regulatory agencies including potential environmental remediation obligations;

changes in fuel and/or energy prices;

risks associated with our intellectual property rights or those of third parties, including infringement, maintenance, protection, validity, enforcement and continued use of such rights;

expansion of warranty and product support terms beyond those which have traditionally prevailed in the rail supply industry;

availability of a trained work force and availability and/or price of essential raw materials, specialties or components, including steel castings, to permit manufacture of units on order;

failure to successfully integrate acquired businesses;

discovery of previously unknown liabilities associated with acquired businesses;

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

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

credit limitations upon our ability to maintain effective hedging programs; and

financial impacts from currency fluctuations and currency hedging activities in our worldwide operations.

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

In assessing forward-looking statements contained herein, readers are urged to read carefully all cautionary statements contained in this Form 10-K, including, without limitation, those contained under the heading, Risk Factors, contained in Part I, Item 1A of this Form 10-K.

All references to years refer to the fiscal years ended August 31<sup>st</sup> unless otherwise noted.

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

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**PART I**

**Item 1. BUSINESS**

**Introduction**

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

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

We operate in three primary business segments: Manufacturing; Wheel Services, Refurbishment & Parts; and Leasing & Services. Financial information about our business segments for the years ended August 31, 2012, 2011 and 2010 is located in Note 20 Segment Information to our Consolidated Financial Statements.

The Greenbrier Companies, Inc., which was incorporated in Delaware in 1981, consummated a merger on February 28, 2006 with its affiliate, Greenbrier Oregon, Inc., an Oregon corporation, for the sole purpose of changing its state of incorporation from Delaware to Oregon. Greenbrier Oregon survived the merger and assumed the name, The Greenbrier Companies, Inc. Our principal executive offices are located at One Centerpointe Drive, Suite 200, Lake Oswego, Oregon 97035, our telephone number is (503) 684-7000 and our Internet web site is located at <http://www.gbrx.com>.

**Products and Services**

**Manufacturing**

*North American Railcar Manufacturing* - We manufacture a broad array of railcar types in North America which includes most railcar types other than coal cars. We have demonstrated an ability to capture high market shares in many of the car types we produce. The primary products we produce for the North American market are:

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

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

*Tank Cars* - We produce a variety of tank cars that are designed for the transportation of products such as caustic soda, urea ammonium nitrate, vegetable oils, bio-diesel, ethanol and various other products for the North American market. We continue to expand our product line and capacity.



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

***Marine Vessel Fabrication*** - Our Portland, Oregon manufacturing facility, located on a deep-water port on the Willamette River, includes marine vessel fabrication capabilities. The marine facilities also increase utilization of steel plate burning and fabrication capacity providing flexibility for railcar production. United States (U.S.) coastwise law, commonly referred to as the Jones Act, requires all commercial vessels transporting merchandise between ports in the U.S. to be built, owned, operated and manned by U.S. citizens and to be registered under the U.S. flag. We manufacture a broad range of Jones Act ocean-going and river barges for transporting merchandise between ports within the U.S. including conventional deck barges, double-hull tank barges, railcar/deck barges, barges for aggregates and other heavy industrial products and dump barges. Our primary focus is on the larger ocean-going vessels and coal carrying river barges although the facility has the capability to compete in other marine related products.

## **Wheel Services, Refurbishment & Parts**

***Wheel Services, Railcar Repair, Refurbishment and Component Parts Manufacturing*** - We believe we operate the largest independent wheel services, repair, refurbishment and component parts networks in North America, operating in 39 locations. Our wheel shops, operating in 12 locations, provide complete wheel services including reconditioning of wheels, axles and roller bearings in addition to new axle machining and finishing and axle downsizing. Our network of railcar repair and refurbishment shops, operating in 23 locations, performs heavy railcar repair and refurbishment, as well as routine railcar maintenance. We are actively engaged in the repair and refurbishment of railcars for third parties, as well as of our own leased and managed fleet. Our component parts facilities, operating in 4 locations, recondition railcar cushioning units, couplers, yokes, side frames, bolsters and various other parts. We also produce roofs, doors and associated parts for boxcars.

## **Leasing & Services**

***Leasing*** - Our relationships with financial institutions, combined with our ownership of a lease fleet of approximately 11,000 railcars, enables us to offer flexible financing programs including operating leases and by the mile leases to our customers. As an equipment owner, we participate principally in the operating lease segment of the market. The majority of our leases are full service leases whereby we are responsible for maintenance and administration. Maintenance of the fleet is provided, in part, through our own facilities and engineering and technical staff. Assets from our owned lease fleet are periodically sold to take advantage of market conditions, manage risk and maintain liquidity.



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**Management Services** - Our management services business offers a broad array of software and services that include railcar maintenance management, railcar accounting services (such as billing and revenue collection, car hire receivable and payable administration), total fleet management (including railcar tracking using proprietary software), administration and railcar remarketing. Frequently, we originate leases of railcars, which are either newly built or refurbished by us, with railroads or shippers, and sell the railcars and attached leases to financial institutions and subsequently provide management services under multi-year agreements. We currently own or provide management services for a fleet of approximately 230,000 railcars for railroads, shippers, carriers, institutional investors and other leasing and transportation companies in North America.

	<b>Fleet Profile<sup>(1)</sup></b>		
	<b>As of August 31, 2012</b>		
	<b>Owned</b>	<b>Managed</b>	<b>Total</b>
	<b>Units<sup>(2)</sup></b>	<b>Units</b>	<b>Units</b>
Customer Profile:			
Class I Railroads	3,369	91,027	94,396
Leasing Companies	153	94,064	94,217
Non-Class I Railroads	1,474	18,067	19,541
Shipping Companies	3,787	15,862	16,649
Off-lease	707		707
En route to Customer Location	1,351		1,351
<b>Total Units</b>	<b>10,841</b>	<b>219,020</b>	<b>229,861</b>

(1) Each platform of a railcar is treated as a separate unit.

(2) Percent of owned units on lease is 93.5% with an average remaining lease term of 2.2 years. The average age of owned units is 15 years.

**Backlog**

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

	<b>August 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
New railcar backlog units <sup>(1)</sup>	10,700	15,400	5,300
Estimated future revenue value (in millions) <sup>(2)</sup>	\$ 1,200	\$ 1,230	\$ 420

(1) Each platform of a railcar is treated as a separate unit.

(2) Subject to change based on finalization of product mix.

Customer orders may be subject to cancellations or modifications and contain terms and conditions customary in the industry. In most cases, little variation has been experienced between the quantity ordered and the quantity actually delivered. Our railcar and marine backlogs are not necessarily indicative of future results of operations.

Multi-year supply agreements are a part of rail industry practice. Our total manufacturing backlog of railcars as of August 31, 2012 was approximately 10,700 units with an estimated value of \$1.20 billion, compared to 15,400 units valued at \$1.23 billion as of August 31, 2011. Based on current production plans, approximately 7,300 units in the August 31, 2012 backlog are scheduled for delivery in 2013. The balance of the production is scheduled for delivery through 2014. A portion of the orders included in backlog reflects an assumed product mix. Under terms of the orders, the exact mix will be determined in the future which may impact the dollar amount of backlog.

Marine backlog as of August 31, 2012 was approximately \$25 million compared to no backlog as of August 31, 2011. In addition, we were awarded a letter of intent for 15 barges valued at \$60 million subject to significant permitting and other conditions.



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### **Customers**

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

In 2012, revenue from three customers together, TTX Company (TTX), Union Pacific Railroad (UP) and BNSF Railway Company (BNSF) accounted for approximately 53% of total revenue, 15% of Leasing & Services revenue, 48% of Wheel Services, Refurbishment & Parts revenue and 57% of Manufacturing revenue. No other customers accounted for more than 10% of total revenue.

### **Raw Materials and Components**

Our products require a supply of materials including steel and specialty components such as brakes, wheels and axles. Specialty components purchased from third parties represent a significant amount of the cost of most freight cars. Our customers often specify particular components and suppliers of such components. Although the number of alternative suppliers of certain specialty components has declined in recent years, there are at least two suppliers for most such components.

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

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

In 2012, the top ten suppliers for all inventory purchases accounted for approximately 43% of total purchases. Amsted Rail Company, Inc. accounted for 20% of total inventory purchases in 2012. No other suppliers accounted for more than 10% of total inventory purchases. The Company believes it maintains good relationships with its suppliers.

### **Competition**

There are currently six major railcar manufacturers competing in North America. We compete on the basis of quality, price, reliability of delivery, reputation and customer service and support.

Competition in the marine industry is dependent on the type of product produced. There are two principal competitors, located in the Gulf States, which build product types similar to ours. We compete on the basis of experienced labor, launch ways capacity, quality, price and reliability of delivery.

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

Competition in the wheel services, refurbishment and parts business is dependent on the type of product or service provided. There are many competitors in the railcar repair and refurbishment business and an increasing number of competitors in the wheel services and other parts businesses. We believe we are one of the largest non-railroad providers of wheel services and refurbishment services. We compete primarily on the basis of quality, timeliness of delivery, customer service, price and engineering expertise.

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

## **Marketing and Product Development**

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

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

Through our customer relationships, insights are derived into the potential need for new products and services. Marketing and engineering personnel collaborate to evaluate opportunities and identify and develop new products. For example, we continue to expand our tank car and covered hopper product offerings in North America. Research and development costs incurred during the years ended August 31, 2012, 2011 and 2010 were \$2.0 million, \$3.0 million and \$2.6 million.

## **Patents and Trademarks**

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

## **Environmental Matters**

We are subject to national, state and local environmental laws and regulations concerning, among other matters, air emissions, wastewater discharge, solid and hazardous waste disposal and employee health and safety. Prior to acquiring facilities, we usually conduct investigations to evaluate the environmental condition of subject properties and may negotiate contractual terms for allocation of environmental exposure arising from prior uses. We operate our facilities in a manner designed to maintain compliance with applicable environmental laws and regulations. Environmental studies have been conducted on certain of our owned and leased properties that indicate additional investigation and some remediation on certain properties may be necessary.

Our Portland, Oregon manufacturing facility is located adjacent to the Willamette River. We have entered into a Voluntary Clean-Up Agreement with the Oregon Department of Environmental Quality in which we agreed to conduct an investigation of whether, and to what extent, past or present operations at the Portland property may have released hazardous substances to the environment. We are also conducting groundwater remediation relating to a historical spill on the property which precedes our ownership.

### ***Portland Harbor Site***

The U.S. Environmental Protection Agency (EPA) has classified portions of the river bed of the Portland Harbor, including the portion fronting our manufacturing facility, as a federal National Priority List or Superfund site due to sediment contamination (the Portland Harbor Site). We, along with more than 140 other parties, have

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received a General Notice of potential liability from the EPA relating to the Portland Harbor Site. The letter advised us that we may be liable for the costs of investigation and remediation (which liability may be joint and several with other potentially responsible parties) as well as for natural resource damages resulting from releases of hazardous substances to the site. At this time, ten private and public entities, including us (the Lower Willamette Group or LWG), 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 EPA-mandated RI/FS is being conducted by the LWG and has cost over \$90 million over an 11-year period. We have agreed to initially bear a percentage of the total costs incurred by the LWG in connection with the investigation. Our aggregate expenditure has not been material over the 11-year period. Some or all of any such outlay may be recoverable from other responsible parties. The investigation is expected to continue for at least two more years and additional costs are expected to be incurred. We cannot estimate the amount of such investigation costs at this time.

Eighty-three parties, including the State of Oregon and the federal government, have entered into a non-judicial mediation process to try to allocate costs associated with the Portland Harbor site. Approximately 110 additional parties have signed tolling agreements related to such allocations. On April 23, 2009, we and the other AOC signatories filed suit against 69 other parties due to a possible limitations period for some such claims; *Arkema Inc. et al v. A & C Foundry Products, Inc. et al*, US District Court, District of Oregon, Case #3:09-cv-453-PK. All but 12 of these parties elected to sign tolling agreements and be dismissed without prejudice, and the case has now been stayed by the court, pending completion of the RI/FS. Although, as described below, the draft feasibility study has been submitted, the RI/FS will not be complete until the EPA approves it, which is not likely to occur until at least 2014.

A draft of the remedial investigation study was submitted to the EPA on October 27, 2009. The draft feasibility study was submitted to the EPA on March 30, 2012. The draft feasibility study evaluates several alternative cleanup approaches. The approaches submitted would take from 2 to 28 years with costs ranging from \$169 million to \$1.8 billion for cleanup of the entire Portland Harbor Site, depending primarily on the selected remedial action levels. The draft feasibility study suggests costs ranging from \$9 million to \$163 million for cleanup of the area of the Willamette River adjacent to our Portland, Oregon manufacturing facility, depending primarily on the selected remedial action level.

The draft feasibility study does not address responsibility for the costs of clean-up or allocate such costs among the potentially responsible parties, or define precise boundaries for the cleanup. Responsibility for funding and implementing the EPA's selected cleanup will be determined after the issuance of the Record of Decision. Based on the investigation to date, we believe that we did not contribute in any material way to the damage of natural resources in the Portland Harbor Site and that the damage in the area of the Portland Harbor Site adjacent to our property precedes our ownership of the Portland, Oregon manufacturing facility. Because these environmental investigations are still underway, sufficient information is currently not available to determine our liability, if any, for the cost of any required remediation of the Portland Harbor Site or to estimate a range of potential loss. Based on the results of the pending investigations and future assessments of natural resource damages, we may be required to incur costs associated with additional phases of investigation or remedial action, and may be liable for damages to natural resources. In addition, we may be required to perform periodic maintenance dredging in order to continue to launch vessels from our launch ways 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 our business and Consolidated Financial Statements, or the value of our Portland property.

## **Regulation**

The Federal Railroad Administration in the U.S. and Transport Canada in Canada administer and enforce laws and regulations relating to railroad safety. These regulations govern equipment and safety appliance standards for freight cars and other rail equipment used in interstate commerce. The Association of American Railroads (AAR) promulgates a wide variety of rules and regulations governing the safety and design of equipment, relationships among railroads and other railcar owners with respect to railcars in interchange, and other matters. The AAR also

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certifies railcar builders and component manufacturers that provide equipment for use on North American railroads. These regulations require us to maintain our certifications with the AAR as a railcar builder and component manufacturer, and products sold and leased by us in North America must meet AAR, Transport Canada, and Federal Railroad Administration standards.

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

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

## **Employees**

As of August 31, 2012, we had 7,396 full-time employees, consisting of 5,515 employees in Manufacturing, 1,724 in Wheel Services, Refurbishment & Parts and 157 employees in Leasing & Services and corporate. In Poland, 383 employees are represented by unions. At our Frontera, Mexico joint venture manufacturing facility, 1,629 employees are represented by a union. At our Sahagun, Mexico facility, 746 employees are represented by a union. In addition to our own employees, 1,117 union employees work at our Sahagun, Mexico railcar manufacturing facility under our services agreement with Bombardier Transportation, Inc. At our Wheel Services, Refurbishment & Parts locations, 61 employees, in Mexico, are represented by unions. We believe that our relations with our employees are generally good.

## **Additional Information**

We are a reporting company and file annual, quarterly, current and special reports, proxy statements and other information with the Securities and Exchange Committee (SEC). Through a link on the Investor Relations section of our website, <http://www.gbrx.com>, we make available the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended. All such filings are available free of charge. Copies of our Audit Committee Charter, Compensation Committee Charter, Nominating/Corporate Governance Committee Charter and the Company's Corporate Governance Guidelines are also available on our web site at <http://www.gbrx.com>. In addition, each of the reports and documents listed above are available free of charge by contacting our Investor Relations Department at The Greenbrier Companies, Inc., One Centerpointe Drive, Suite 200, Lake Oswego, Oregon 97035.

## **Item 1A. RISK FACTORS**

In addition to the risks outlined in this annual report under the heading "Forward-Looking Statements," as well as other comments included herein regarding risks and uncertainties, the following risk factors should be carefully considered when evaluating our company. Our business, financial condition or financial results could be materially and adversely affected by any of these risks.

*The ongoing uncertainty and volatility in the financial markets related to the U.S. budget deficit, the European sovereign debt crisis and the state of the worldwide economic recovery may adversely affect our operating results.*

Global financial markets continue to experience disruptions, including increased volatility, and diminished liquidity and credit availability. In particular, developments in Europe have created uncertainty with respect to the ability of certain European countries to continue to service their sovereign debt obligations. This debt crisis and related European financial restructuring efforts may cause the value of the Euro to deteriorate, reducing the purchasing power of our European customers and reducing the translated amounts of U.S. dollar revenues. In

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addition, the European crisis is contributing to instability in global credit markets. If global economic and market conditions, or economic conditions in Europe, the U.S. or other key markets, remain uncertain, persist, or deteriorate further, our customers may respond by suspending, delaying or reducing their capital expenditures and equipment maintenance budgets, which may adversely affect our cash flows and results of operations. We could also be adversely affected by the negative impact on economic growth resulting from the combination of federal income tax increases and government spending restrictions potentially occurring at the end of calendar year 2012 in the U.S. (commonly referred to as the fiscal cliff ).

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

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

***We face aggressive competition by a concentrated group of competitors and a number of factors may influence our performance and if we are unable to compete successfully, our market share, margin and results of operations may be adversely affected.***

We face aggressive competition by a concentrated group of competitors in all geographic markets and in each area of our business. The railcar manufacturing and repair industry is intensely competitive and we expect it to remain so in the foreseeable future. Competitive factors, including introduction of competitive products, new entrants into certain of our markets, price pressures, limited customer base and the relative competitiveness of our manufacturing facilities and products affect our ability to compete effectively. In addition, new technologies or the introduction of new railcars or other product offerings by our competitors could render our products obsolete or less competitive. If we do not compete successfully, our market share, margin and results of operation may be adversely affected.

A number of factors may influence our performance, including without limitation: fluctuations in the demand for newly manufactured railcars or marine barges; fluctuations in demand for wheel services, refurbishment and parts; our ability to adjust to the cyclical nature of the industries in which we operate; delays in receipt of orders, risks that contracts may be canceled during their term or not renewed and that customers may not purchase the amount of products or services under the contracts as anticipated; our customers may be financially unable to pay for products and services already provided; domestic and global economic conditions including such matters as embargoes or quotas; growth or reduction in the surface transportation industry; steel and specialty component price fluctuations and availability, scrap surcharges, steel scrap prices and other commodity price fluctuations and their impact on product demand and margin; loss of business from, or a decline in the financial condition of, any of the principal customers that represent a significant portion of our total revenues; industry overcapacity and our manufacturing capacity utilization; and other risks, uncertainties and factors. If we are unfavorably affected by any of these factors, our market share, margin and results of operation may be adversely affected.

***A change in our product mix due to shifts in demand could have an adverse effect on our profitability.***

We manufacture and repair a variety of railcars. The demand for specific types of these railcars and mix of refurbishment work varies from time to time. These shifts in demand could affect our margins and could have an adverse effect on our profitability. Currently a portion of our backlog and railcar demand includes a concentrated product mix of covered hoppers and tank cars used in energy related transportation. A sudden change in this

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market could have an adverse effect on our profitability. For example, a change in environmental regulations, competitive pricing, pipeline capacity and other factors could reduce demand for railcars in the energy transportation industry.

*A failure to design or manufacture products or technologies or to achieve timely certification or market acceptance of new products or technologies could have an adverse effect on our profitability.*

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

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

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

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

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

*We have a significant amount of indebtedness, which could have negative consequences to us.*

We are significantly leveraged. As of August 31, 2012, our total debt was approximately \$488.8 million, consisting of borrowings under our credit facilities, term loans, notes and capital lease obligations. Our significant indebtedness could have negative consequences to us, and could place us at a competitive disadvantage compared to our less leveraged competitors. It may be difficult for us to satisfy our repayment and other obligations with respect to such indebtedness, and we may not be able to refinance our existing indebtedness as it matures. Significant indebtedness may also increase our vulnerability to adverse general economic, industry or competitive developments or conditions and limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate. We may be limited in our ability to raise additional capital or obtain additional financing to fund our operations, capital expenditures or other growth initiatives, and other general corporate requirements and may be required to dedicate a significant portion of our cash flow from operations to interest and principal payments on our indebtedness. We are more exposed to the risk of increased interest rates as certain of our borrowings are at variable rates of interest. As a consequence of our level of indebtedness, a significant portion of our cash flow from operations may be dedicated to debt service requirements. In addition, the terms of our revolving credit facility limit our ability to incur additional indebtedness. If we fail to comply with these covenants, a default may occur, in which case the lender could accelerate the debt. We cannot assure you that we would be able to renegotiate, refinance, restructure or otherwise obtain the necessary funds to satisfy the indebtedness or these obligations.



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

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

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

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

Our businesses also depend upon the adequate supply of energy at competitive prices. When the price of energy increases, it adversely impacts our operating costs and could have an adverse effect upon our ability to conduct our businesses on a cost-effective basis. We cannot be assured that we will continue to have access to supplies of energy or necessary components for manufacturing railcars and marine barges. Our ability to meet demand for our products could be adversely affected by the loss of access to any of these supplies, the inability to arrange alternative access to any materials, or suppliers limiting allocation of materials to us.

In some instances, we have fixed price contracts which anticipate material price increases and surcharges, or contracts that contain actual or formulaic pass-through of material price increases and surcharges. However, if the price of steel or other raw materials were to fluctuate in excess of anticipated increases on which we have based our fixed price contracts, or if we were unable to adjust our selling prices or have adequate protection in our contracts against changes in material prices, or if we are unable to reduce operating costs to offset any price increases, our margins would be adversely affected. The loss of suppliers or their inability to meet our price, quality, quantity and delivery requirements could have an adverse effect on our ability to manufacture and sell our products on a cost-effective basis.

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

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

Our manufacturing operations depend in part on our ability to obtain timely deliveries of materials and components in acceptable quantities and quality from our suppliers. In 2012, the top ten suppliers for all inventory purchases accounted for approximately 43% of total purchases. Amsted Rail Company, Inc. accounted for 20% of total inventory purchases in 2012. No other suppliers accounted for more than 10% of total inventory purchases. Certain components of our products, particularly specialized components like castings, bolsters and trucks, are currently available from only a limited number of suppliers. Increases in the number of railcars manufactured have increased the demand for such components and strong demand may cause industry-wide shortages if suppliers are in the process of ramping up production or reach capacity production. Our dependence on a limited number of suppliers involves risks, including limited control over pricing, availability and delivery

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schedules. If any one or more of our suppliers cease to provide us with sufficient quantities of our components in a timely manner or on terms acceptable to us, or cease to manufacture components of acceptable quality, we could incur disruptions or be limited in our production of our products and we could have to seek alternative sources for these components. We could also incur delays while we attempt to locate and engage alternative qualified suppliers and we might be unable to engage acceptable alternative suppliers on favorable terms, if at all. Any such disruption in our supply of specialized components or increased costs of those components could harm our business and adversely affect our results of operations.

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

The credit markets and the financial services industry continue to experience volatility which may result in tighter availability of credit on more restrictive terms. This could have a negative impact on our liquidity and financial condition if our ability to borrow money to finance operations, obtain credit from trade creditors, offer leasing products to our customers or sell railcar assets to other lessors were to be impaired. In addition, it could also adversely affect our customers' ability to purchase or pay for products from us or our suppliers' ability to provide us with product, either of which could negatively affect our business and results of operations.

***Unanticipated changes in our tax provisions or exposure to additional income tax liabilities could affect our financial condition and profitability.***

We are subject to income taxes in both the United States and foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. Changes in estimates of projected future operating results, loss of deductibility of items, recapture of prior deductions (including related to interest on convertible notes), or changes in assumptions regarding our ability to generate future taxable income could result in significant increases to our tax expense and liabilities that could adversely affect our financial condition and profitability.

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

From time-to-time, we, or our joint ventures, undertake strategic capital projects in order to enhance, expand and/or upgrade facilities and operational capabilities. We are currently in the process of adding new production lines and enhancing existing lines at our manufacturing facilities in Mexico to increase our production capacity. Our ability, and our joint ventures' ability, to complete these projects on time and within budget, and for us to realize the anticipated increased revenues or otherwise realize acceptable returns on these investments or other strategic capital projects that may be undertaken is subject to a number of risks. Many of these risks are beyond our control, including a variety of market, operational, permitting, and labor related factors. In addition, the cost to implement any given strategic capital project ultimately may prove to be greater than originally anticipated. If we, or our joint ventures, are not able to achieve the anticipated results from the implementation of any of these strategic capital projects, or if unanticipated implementation costs are incurred, our business, financial condition and results of operations may be adversely affected.

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

We may build railcars or marine barges in anticipation of a customer order, or that are leased to a customer and ultimately planned to be sold to a third party. The difference in timing of production and the ultimate sale is subject to risk. In addition, we periodically sell railcars from our own lease fleet and the timing and volume of such sales is difficult to predict. As a result, comparisons of our manufacturing revenue, deliveries, quarterly gain

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on disposition of equipment, income and liquidity between quarterly periods within one year and between comparable periods in different years may not be meaningful and should not be relied upon as indicators of our future performance.

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

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

***Risks related to our operations outside of the U.S. could adversely affect our operating results.***

Our operations outside of the U.S. are subject to the risks associated with cross-border business transactions and activities. Political, legal, trade, financial market or economic changes or instability could limit or curtail our foreign business activities and operations. Some foreign countries in which we operate have regulatory authorities that regulate railroad safety, railcar design and railcar component part design, performance and manufacturing. If we fail to obtain and maintain certifications of our railcars and railcar parts within the various foreign countries where we operate, we may be unable to market and sell our railcars in those countries. In addition, unexpected changes in regulatory requirements, tariffs and other trade barriers, more stringent rules relating to labor or the environment, adverse tax consequences, currency and price exchange controls could limit operations and make the manufacture and distribution of our products difficult. The uncertainty of the legal environment or geo-political risks in these and other areas could limit our ability to enforce our rights effectively. Because we have operations outside the U.S., we could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-corruption laws. We operate in parts of the world that have experienced governmental corruption to some degree, and in certain circumstances, strict compliance with anti-corruption laws may conflict with local customs and practices. The failure to comply with laws governing international business practices may result in substantial penalties and fines. Any international expansion or acquisition that we undertake could amplify these risks related to operating outside of the U.S.

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

Our success depends in part on our ability to attract, retain and motivate senior management and other key employees. Achieving this objective may be difficult due to many factors, including fluctuations in global economic and industry conditions, competitors hiring practices, cost reduction activities, and the effectiveness of our compensation programs. Competition for qualified personnel can be very intense. We must continue to recruit, retain and motivate senior management and other key employees sufficient to maintain our current business and support our future projects. We are vulnerable to attrition among our current senior management team and other key employees. A loss of any such personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business, financial condition and results of operations. In addition, several key members of our senior management team are at or nearing retirement age. If we are unsuccessful in our succession planning efforts, the continuity of our business and results of operations could be adversely affected.

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

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

### ***Shortages of skilled labor could adversely affect our operations.***

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

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

In Sahagun, Mexico, we depend on a third party to provide us with most of the labor services for our operations under a services agreement. All of the labor provided by the third party is subject to collective bargaining agreements, over which we have no control. If the third party fails to provide us with the services required by our agreement for any reason, including labor stoppages or strikes or a sale of facilities owned by the third party, our operations could be adversely effected. Additionally, we could incur substantial expense and interruption if we are unable to renew our Sahagun, Mexico manufacturing facility's lease on acceptable terms, or at all, or if such lease was terminated early. The current lease agreement expires in November 2014. Any interruption of our manufacturing operations in Mexico could adversely affect our results of operations.

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

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

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

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

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

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

We are required to perform an annual impairment review of goodwill and indefinite lived assets which could result in an impairment charge if it is determined that the carrying value of the asset is in excess of the fair value. We perform a goodwill impairment test annually during our third fiscal quarter. Goodwill is also tested more frequently if changes in circumstances or the occurrence of events indicates that a potential impairment exists. When changes in circumstances, such as a decline in the market price of our common stock, changes in demand or in the numerous variables associated with the judgments, assumptions and estimates made in assessing the appropriate valuation of goodwill indicate the carrying amount of certain indefinite lived assets may not be recoverable, the assets are evaluated for impairment. Among other things, our assumptions used in the valuation of goodwill, which relate to our Wheel Services, Refurbishment & Parts segment, include growth of revenue and margins and increased cash flows over time. If actual operating results were to differ from these assumptions, it may result in an impairment of our goodwill. As of August 31, 2012, we had \$137.1 million of goodwill in our Wheel Services, Refurbishment & Parts segment. Future write-downs of goodwill and intangibles could affect certain of the financial covenants under debt instruments and could restrict our financial flexibility. In the event of goodwill impairment, we may have to test other intangible assets for impairment. Impairment charges to our goodwill or our indefinite lived assets would impact our results of operations.

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

In the marine market, current economic conditions may continue to have an adverse effect on our results of operations by reducing demand for our marine barges. This could reduce our revenues and margins, limit our ability to grow, increase pricing pressure on our products, and otherwise adversely affect our financial results. We have signed a letter of intent for certain marine manufacturing business subject to significant permitting and other conditions, but cannot be certain whether such conditions will be met.

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

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

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

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

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

Our Portland, Oregon manufacturing facility is located adjacent to the Willamette River. The U.S. Environmental Protection Agency (EPA) has classified portions of the river bed of the Portland Harbor, including the portion fronting the Company's manufacturing facility, as a federal National Priority List or Superfund site due to sediment contamination (the Portland Harbor Site). We, along with more than 140 other parties, have received a General Notice of potential liability from the EPA relating to the Portland Harbor Site. The letter advised us that we may be liable for the costs of investigation and remediation (which liability may be joint and several with other potentially responsible parties) as well as for natural resource damages resulting from releases of hazardous substances to the site. We are part of a group that 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. We have agreed to initially bear a percentage of the total costs incurred in connection with the investigation. The investigation is expected to continue for at least two more years and additional costs are expected to be incurred. We cannot estimate the amount of such investigation costs at this time, or assure that any such costs will be recoverable from third parties.

A draft of the remedial investigation study was submitted to the EPA on October 27, 2009. The draft feasibility study was submitted to the EPA on March 30, 2012. The draft feasibility study evaluates several alternative cleanup approaches. The approaches submitted would take from 2 to 28 years with costs ranging from \$9 million to \$163 million for cleanup of the area of the Willamette River adjacent to our Portland, Oregon manufacturing facility, depending primarily on the selected remedial action level. The draft feasibility study does not address responsibility for the costs of clean-up or allocate such costs among potentially responsible parties, or define precise boundaries for the cleanup. Responsibility for funding and implementing the EPA's selected cleanup will be determined after the issuance of the Record of Decision.

Because these environmental investigations are still underway, sufficient information is currently not available to determine our liability, if any, for the cost of any required remediation of the Portland Harbor Site or to estimate a range of potential loss. Based on the results of the pending investigations and future assessments of natural resource damages, we may be required to incur costs associated with additional phases of investigation or remedial action, and may be liable for damages to natural resources. In addition, we may be required to perform periodic maintenance dredging in order to continue to launch vessels from 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 our business and Consolidated Financial Statements, or the value of our Portland property.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Natural disasters or severe weather conditions could disrupt our business and result in loss of revenue or higher expenses.*

Any serious disruption at any of our facilities due to hurricane, earthquake, flood, or any other natural disaster could impair our ability to use our facilities and have a material adverse impact on our revenues and increase our costs and expenses. If there is a natural disaster or other serious disruption at any of our facilities, particularly any of our Mexican facilities, it could impair our ability to adequately supply our customers, cause a significant disruption to our operations, cause us to incur significant costs to relocate or reestablish these functions and negatively impact our operating results. While we insure against certain business interruption risks, such insurance may not adequately compensate us for any losses incurred as a result of natural or other disasters.

## **Item 1B. UNRESOLVED STAFF COMMENTS**

None.



**Table of Contents****Item 2. PROPERTIES**

We operate at the following primary facilities as of August 31, 2012:

<b>Description</b>	<b>Location</b>	<b>Status</b>
<b>Manufacturing Segment</b>		
Railcar manufacturing:	Portland, Oregon	Owned
	2 locations in Sahagun, Mexico	Leased 1 location
Marine manufacturing:	Frontera, Mexico	Owned 1 location
	2 locations in Poland	Leased
	Portland, Oregon	Owned
<b>Wheel Services, Refurbishment &amp; Parts Segment</b>		
Railcar repair:	20 locations in the U.S.	Owned 6 locations
		Leased 9 locations
Wheel reconditioning:	1 location in Mexico	Customer premises 5 locations
	2 locations in Canada	Leased
	10 locations in the U.S.	Customer premises
Parts fabrication and reconditioning:	2 locations in Mexico	Owned 5 locations
	4 locations in the U.S.	Leased 5 locations
Administrative offices:		Leased 2 locations
	2 locations in the U.S.	Owned
<b>Leasing &amp; Services Segment</b>		
Corporate offices, railcar marketing and leasing activities:	Lake Oswego, Oregon	Leased

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

**Item 3. LEGAL PROCEEDINGS**

There is hereby incorporated by reference the information disclosed in Note 23 to Consolidated Financial Statements, Part II, Item 8 of this Form 10-K.

**Item 4. MINE SAFETY DISCLOSURES**

Not applicable.



**Table of Contents****PART II****Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock has been traded on the New York Stock Exchange under the symbol GBX since July 14, 1994. There were approximately 447 holders of record of common stock as of October 24, 2012. The following table shows the reported high and low sales prices of our common stock on the New York Stock Exchange for the fiscal periods indicated.

	<b>High</b>	<b>Low</b>
<b>2012</b>		
Fourth quarter	\$ 17.60	\$ 13.15
Third quarter	\$ 26.04	\$ 13.10
Second quarter	\$ 26.66	\$ 20.11
First quarter	\$ 23.79	\$ 10.38
<b>2011</b>		
Fourth quarter	\$ 26.16	\$ 11.78
Third quarter	\$ 30.38	\$ 23.15
Second quarter	\$ 26.48	\$ 18.96
First quarter	\$ 20.18	\$ 11.72

Payment of future dividends is at the discretion of the Board of Directors. Factors that may be considered in determining whether to declare a dividend may include, but are not limited to, our results of operations and financial condition and our expected future capital expenditures and investments. The Board of Directors presently intends to continue its policy of retaining earnings for reinvestment in the operations and paying down debt of the Company.

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**Performance Graph**

The following graph demonstrates a comparison of cumulative total returns for the Company's Common Stock, the Dow Jones US Industrial Transportation Index and the Standard & Poor's (S&P) 500 Index. The graph assumes an investment of \$100 on August 31, 2007 in each of the Company's Common Stock and the stocks comprising the indices. Each of the indices assumes that all dividends were reinvested and that the investment was maintained to and including August 31, 2012, the end of the Company's 2012 fiscal year.

The comparisons in this table are required by the SEC, and therefore, are not intended to forecast or be indicative of possible future performance of our Common Stock.

**Equity Compensation Plan Information**

Equity Compensation Plan Information is hereby incorporated by reference to the Equity Compensation Plan Information table in Registrant's definitive Proxy Statement to be filed pursuant to Regulation 14A, which Proxy Statement is anticipated to be filed with the Securities and Exchange Commission within 120 days after the end of the Registrant's year ended August 31, 2012.

**Table of Contents****Item 6. SELECTED FINANCIAL DATA**

YEARS ENDED AUGUST 31,

<i>(In thousands, except unit and per share data)</i>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Statement of Operations Data</b>					
Revenue:					
Manufacturing	\$ 1,253,964	\$ 721,102	\$ 295,566	\$ 462,496	\$ 665,093
Wheel Services, Refurbishment & Parts	481,865	452,865	388,434	475,397	527,466
Leasing & Services	71,887	69,323	72,280	78,298	89,510
	\$ 1,807,716	\$ 1,243,290	\$ 756,280 <sup>(1)</sup>	\$ 1,016,191 <sup>(1)</sup>	\$ 1,282,069 <sup>(1)</sup>
Earnings (loss) from operations	\$ 118,788	\$ 67,574	\$ 52,107	\$ (28,303)	\$ 74,808
Net earnings (loss) attributable to Greenbrier	\$ 58,708	\$ 6,466 <sup>(3)</sup>	\$ 4,277 <sup>(2)(3)</sup>	\$ (56,391) <sup>(2)(3)</sup>	\$ 17,383 <sup>(2)</sup>
Basic earnings (loss) per common share attributable to Greenbrier:	\$ 2.21	\$ 0.27	\$ 0.23	\$ (3.35)	\$ 1.06
Diluted earnings (loss) per common share attributable to Greenbrier:	\$ 1.91	\$ 0.24	\$ 0.21	\$ (3.35)	\$ 1.06
Weighted average common shares outstanding:					
Basic	26,572	24,100	18,585	16,815	16,395
Diluted	33,718	26,501	20,213	16,815	16,417
Cash dividends paid per share	\$ .00	\$ .00	\$ .00	\$ .12	\$ .32
<b>Balance Sheet Data</b>					
Total assets	\$ 1,384,544	\$ 1,301,655	\$ 1,072,888	\$ 1,048,291	\$ 1,256,960
Revolving notes and notes payable	\$ 488,834	\$ 519,479	\$ 501,330	\$ 541,190	\$ 580,954
Total equity	\$ 453,645	\$ 375,901	\$ 297,407	\$ 232,450	