

GREENBRIER COMPANIES INC
Form 10-Q
July 03, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

for the quarterly period ended May 31, 2013

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

for the transition period from _____ to _____

Commission File No. 1-13146

THE GREENBRIER COMPANIES, INC.

(Exact name of registrant as specified in its charter)

Oregon
(State of

Incorporation)

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

(503) 684-7000

93-0816972
(I.R.S. Employer

Identification No.)

97035
(Zip Code)

(Registrant's telephone number, including area code)

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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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See 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

The number of shares of the registrant's common stock, without par value, outstanding on July 1, 2013 was 27,221,816 shares.

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-Q. 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 wheels, repair & 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;

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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;

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, goal, 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.

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

PART I. FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

Consolidated Balance Sheets

(In thousands, unaudited)

	May 31, 2013	August 31, 2012
Assets		
Cash and cash equivalents	\$ 31,606	\$ 53,571
Restricted cash	8,906	6,277
Accounts receivable, net	162,352	146,326
Inventories	344,168	316,741
Leased railcars for syndication	71,091	97,798
Equipment on operating leases, net	332,924	362,968
Property, plant and equipment, net	197,779	182,429
Goodwill	57,416	137,066
Intangibles and other assets, net	79,364	81,368
	\$ 1,285,606	\$ 1,384,544
Liabilities and Equity		
Revolving notes	\$ 92,968	\$ 60,755
Accounts payable and accrued liabilities	286,964	329,508
Deferred income taxes	86,229	95,363
Deferred revenue	16,203	17,194
Notes payable	372,942	428,079
Commitments and contingencies (Note 15)		
Equity:		
Greenbrier		
Preferred stock - without par value; 25,000 shares authorized; none outstanding		
Common stock - without par value; 50,000 shares authorized; 27,222 and 27,143 shares outstanding at May 31, 2013 and August 31, 2012		
Additional paid-in capital	258,282	252,256
Retained earnings	154,126	185,890
Accumulated other comprehensive loss	(7,701)	(6,369)
Total equity - Greenbrier	404,707	431,777
Noncontrolling interest	25,593	21,868
Total equity	430,300	453,645
	\$ 1,285,606	\$ 1,384,544

The accompanying notes are an integral part of these financial statements

THE GREENBRIER COMPANIES, INC.**Consolidated Statements of Operations***(In thousands, except per share amounts, unaudited)*

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2013	2012	2013	2012
Revenue				
Manufacturing	\$ 284,591	\$ 364,930	\$ 864,006	\$ 947,792
Wheels, Repair & Parts	131,167	125,145	355,219	362,788
Leasing & Services	17,905	17,722	52,978	53,601
	433,663	507,797	1,272,203	1,364,181
Cost of revenue				
Manufacturing	253,360	325,424	774,502	852,464
Wheels, Repair & Parts	120,476	111,610	325,086	324,055
Leasing & Services	9,808	8,825	26,542	27,783
	383,644	445,859	1,126,130	1,204,302
Margin	50,019	61,938	146,073	159,879
Selling and administrative expense	25,322	28,784	76,364	76,998
Net gain on disposition of equipment	(5,131)	(2,585)	(9,615)	(8,897)
Goodwill impairment	76,900		76,900	
Earnings (loss) from operations	(47,072)	35,739	2,424	91,778
Other costs				
Interest and foreign exchange	5,905	6,560	18,127	18,574
Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates	(52,977)	29,179	(15,703)	73,204
Income tax expense	(2,729)	(8,655)	(12,905)	(21,798)
Earnings (loss) before earnings (loss) from unconsolidated affiliates	(55,706)	20,524	(28,608)	51,406
Earnings (loss) from unconsolidated affiliates	82	201	(63)	(99)
Net earnings (loss)	(55,624)	20,725	(28,671)	51,307
Net earnings attributable to noncontrolling interest	(406)	(1,608)	(3,093)	(4)
Net earnings (loss) attributable to Greenbrier	\$ (56,030)	\$ 19,117	\$ (31,764)	\$ 51,303
Basic earnings (loss) per common share	\$ (2.10)	\$ 0.71	\$ (1.20)	\$ 1.94
Diluted earnings (loss) per common share	\$ (2.10)	\$ 0.61	\$ (1.20)	\$ 1.65
Weighted average common shares:				
Basic	26,619	26,981	26,510	26,378
Diluted	26,619	33,862	26,510	33,640

The accompanying notes are an integral part of these financial statements

THE GREENBRIER COMPANIES, INC.**Consolidated Statements of Comprehensive Income (Loss)***(In thousands, unaudited)*

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2013	2012	2013	2012
Net earnings (loss)	\$ (55,624)	\$ 20,725	\$ (28,671)	\$ 51,307
Other comprehensive income (loss)				
Translation adjustment	(1,761)	(4,551)	279	(6,084)
Reclassification of derivative financial instruments recognized in net earnings (loss) ¹	105	(5,028)	(790)	(4,168)
Unrealized gain (loss) on derivative financial instruments ²	(1,325)	3,191	(817)	6,342
Other (net of tax effect)	5		5	
	(2,976)	(6,388)	(1,323)	(3,910)
Comprehensive income (loss)	(58,600)	14,337	(29,994)	47,397
Comprehensive (income) loss attributable to noncontrolling interest	(374)	(1,497)	(3,102)	168
Comprehensive income (loss) attributable to Greenbrier	\$ (58,974)	\$ 12,840	\$ (33,096)	\$ 47,565

¹ Net of tax of effect of \$0.1 million and \$0.7 million for the three months ended May 31, 2013 and 2012 and \$0.1 million and \$1.0 million for the nine months ended May 31, 2013 and 2012.

² Net of tax of effect of \$0.3 million and \$0.2 million for the three months ended May 31, 2013 and 2012 and \$0.2 million and \$1.2 million for the nine months ended May 31, 2013 and 2012.

The accompanying notes are an integral part of these financial statements

*THE GREENBRIER COMPANIES, INC.***Consolidated Statements of Equity***(In thousands, unaudited)*

	Attributable to Greenbrier							Total Equity
	Common Stock Shares	Additional Paid-in Capital	Retained Earnings	Accumulated		Total Attributable to Greenbrier	Attributable to Noncontrolling Interest	
				Other Comprehensive Loss				
Balance September 1, 2012	27,143	\$ 252,256	\$ 185,890	\$ (6,369)	\$ 431,777	\$ 21,868	\$ 453,645	
Net earnings (loss)			(31,764)		(31,764)	3,093	(28,671)	
Other comprehensive income (loss), net				(1,332)	(1,332)	9	(1,323)	
Noncontrolling interest adjustments						(1,954)	(1,954)	
Investment by joint venture partner						2,577	2,577	
Restricted stock awards (net of cancellations and expense)	27	8,436			8,436		8,436	
Unamortized restricted stock		(8,444)			(8,444)		(8,444)	
Restricted stock amortization		5,257			5,257		5,257	
Excess tax benefit from restricted stock awards		777			777		777	
Warrants exercised	52							
Balance May 31, 2013	27,222	\$ 258,282	\$ 154,126	\$ (7,701)	\$ 404,707	\$ 25,593	\$ 430,300	

	Attributable to Greenbrier							Total Equity
	Common Stock Shares	Additional Paid-in Capital	Retained Earnings	Accumulated		Total Attributable to Greenbrier	Attributable to Noncontrolling Interest	
				Other Comprehensive Loss				
Balance September 1, 2011	25,186	\$ 242,286	\$ 127,182	\$ (7,895)	\$ 361,573	\$ 14,328	\$ 375,901	
Net earnings			51,303		51,303	4	51,307	
Other comprehensive loss, net				(3,738)	(3,738)	(172)	(3,910)	
Investment by joint venture partner						410	410	
Noncontrolling interest adjustments						2,796	2,796	
Restricted stock awards (net of cancellations)	467	9,364			9,364		9,364	
Unamortized restricted stock		(9,364)			(9,364)		(9,364)	
Restricted stock amortization		6,353			6,353		6,353	
Warrants exercised	1,496							
Excess tax benefit from restricted stock awards		2,670			2,670		2,670	
Balance May 31, 2012	27,149	\$ 251,309	\$ 178,485	\$ (11,633)	\$ 418,161	\$ 17,366	\$ 435,527	

The accompanying notes are an integral part of these financial statements

Consolidated Statements of Cash Flows*(In thousands, unaudited)*

	Nine Months Ended May 31,	
	2013	2012
Cash flows from operating activities		
Net earnings (loss)	\$ (28,671)	\$ 51,307
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Deferred income taxes	(9,391)	4,801
Depreciation and amortization	31,523	30,603
Net gain on disposition of equipment	(9,615)	(8,897)
Accretion of debt discount	2,455	2,416
Stock based compensation expense	4,843	6,724
Goodwill impairment	76,900	
Other	(1,895)	3,586
Decrease (increase) in assets:		
Accounts receivable	(15,499)	10,429
Inventories	(9,114)	(26,748)
Leased railcars for syndication	22,067	(43,561)
Other	338	(1,419)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(43,605)	12,401
Deferred revenue	(1,099)	11,991
Net cash provided by operating activities	19,237	53,633
Cash flows from investing activities		
Proceeds from sales of assets	39,611	33,253
Capital expenditures	(49,677)	(72,117)
Increase in restricted cash	(2,629)	(3,976)
Investment in and net advances to unconsolidated affiliates	(1,016)	(544)
Other	(3,582)	35
Net cash used in investing activities	(17,293)	(43,349)
Cash flows from financing activities		
Net change in revolving notes with maturities of 90 days or less	26,973	(49,114)
Proceeds from revolving notes with maturities longer than 90 days	31,847	56,644
Repayments of revolving notes with maturities longer than 90 days	(26,877)	(23,573)
Proceeds from issuance of notes payable		2,500
Repayments of notes payable	(57,592)	(6,028)
Investment by joint venture partner	2,577	410
Excess tax benefit from restricted stock awards	777	2,670
Other	(8)	
Net cash used in financing activities	(22,303)	(16,491)
Effect of exchange rate changes	(1,606)	900
Decrease in cash and cash equivalents	(21,965)	(5,307)
Cash and cash equivalents		
Beginning of period	53,571	50,222

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End of period	\$ 31,606	\$ 44,915
Cash paid during the period for		
Interest	\$ 13,844	\$ 10,817
Income taxes, net	\$ 16,404	\$ 4,013
Non-cash activity		
Transfer of Leased railcars for syndication to Equipment on operating leases	\$ 4,640	\$
Transfer of Equipment on operating leases to Inventories	\$ 17,762	\$
Transfer of Property, plant and equipment, net to Intangibles and other assets, net	\$ 1,194	\$

The accompanying notes are an integral part of these financial statements

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 1 Interim Financial Statements

The Condensed Consolidated Financial Statements of The Greenbrier Companies, Inc. and Subsidiaries (Greenbrier or the Company) as of May 31, 2013, for the three and nine months ended May 31, 2013 and 2012 have been prepared without audit and reflect all adjustments (consisting of normal recurring accruals) which, in the opinion of management, are necessary for a fair presentation of the financial position and operating results and cash flows for the periods indicated. The results of operations for the three and nine months ended May 31, 2013 are not necessarily indicative of the results to be expected for the entire year ending August 31, 2013.

Certain notes and other information have been condensed or omitted from the interim financial statements presented in this Quarterly Report on Form 10-Q. Therefore, these financial statements should be read in conjunction with the Consolidated Financial Statements contained in the Company's 2012 Annual Report on Form 10-K.

During the three and nine months ended May 31, 2013, the Company recorded adjustments to certain balance sheet accounts which related to prior years' activities. The adjustments related to one of the Company's Wheels, Repair & Parts locations. The Company determined that those adjustments were not material to either the prior years or the three and nine months ended May 31, 2013. The results for the three and nine months ended May 31, 2013 include a charge of \$1.9 million (\$1.6 million net of tax) within Cost of revenue in the Consolidated Statements of Operations to correct for the error.

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

Initial Adoption of Accounting Policies In the first quarter of 2013, the Company adopted an accounting standard update that increased the prominence of items reported in other comprehensive income. The standard eliminated the option of presenting other comprehensive income as part of the statement of equity and instead requires the Company to present other comprehensive income as either a single statement of comprehensive income combined with net income or as two separate but continuous statements. The adoption of this accounting standard update did impact the presentation of other comprehensive income, as the Company has elected to present two separate but consecutive statements, but did not have an impact on the Company's financial position, results of operations or cash flows.

In the first quarter of 2013, the Company adopted an accounting standard update regarding how entities test goodwill for impairment. This accounting standard update is intended to reduce the cost and complexity of the annual goodwill impairment test by providing entities an option to perform a qualitative assessment to determine whether further impairment testing is necessary. This update impacts testing steps only and therefore the adoption did not have an effect on the Company's Consolidated Financial Statements.

Prospective Accounting Changes In July 2012, an accounting standard update was issued regarding the testing of indefinite-lived intangible assets for impairment. This update is intended to reduce the cost and complexity of testing indefinite-lived intangible assets for impairment by providing entities with an option to perform a qualitative assessment to determine whether further impairment testing is necessary. This update will be effective for the Company as of September 1, 2013. However, early adoption is permitted if an entity's financial statements for the most recent annual or interim period have not yet been issued. This update impacts testing steps only, and therefore adoption will not have an effect on the Company's Consolidated Financial Statements.

In February 2013, an accounting standard update was issued which amended prior reporting requirements with respect to comprehensive income by requiring additional disclosures about the amounts reclassified out of accumulated other comprehensive loss by component. This update will be effective for the Company as of September 1, 2013. As this accounting standard update impacts disclosure only, the adoption of this update is not expected to have an impact on the Company's financial position, results of operations or cash flows.

Note 2 Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Work-in-process includes material, labor and overhead. The following table summarizes the Company's inventory balance:

<i>(In thousands)</i>	May 31, 2013	August 31, 2012
Manufacturing supplies and raw materials	\$ 221,767	\$ 228,092
Work-in-process	74,303	71,210
Finished goods	53,366	22,571
Excess and obsolete adjustment	(5,268)	(5,132)
	\$ 344,168	\$ 316,741

Note 3 Leased Railcars for Syndication

Leased railcars for syndication consist of newly-built railcars manufactured at one of the Company's facilities or railcars purchased from a third party, which have been placed on lease to a customer and which the Company intends to sell to an investor with the lease attached. These railcars are not depreciated and are anticipated to be sold within six months of delivery of the last railcar or six months from when the Company acquires the railcar from a third party. The Company does not believe any economic value of a railcar is lost in the first six months; therefore the Company does not depreciate these assets. In the event the railcars are not sold, the railcars are transferred to Equipment on operating leases and depreciated. As of May 31, 2013, Leased railcars for syndication were \$71.1 million compared to \$97.8 million as of August 31, 2012.

Note 4 Intangibles and Other Assets, net

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

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

<i>(In thousands)</i>	May 31, 2013	August 31, 2012
Intangible assets subject to amortization:		
Customer relationships	\$ 66,288	\$ 66,825
Accumulated amortization	(26,033)	(22,995)
Other intangibles	4,997	4,906
Accumulated amortization	(4,141)	(3,779)
	41,111	44,957
Intangible assets not subject to amortization	912	912
Prepaid and other assets	10,672	10,337
Debt issuance costs, net	8,346	10,194
Investment in unconsolidated affiliates	9,148	8,301
Nonqualified savings plan investments	7,981	6,667
Assets held for sale	1,194	
Total intangible and other assets	\$ 79,364	\$ 81,368

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Amortization expense for the three and nine months ended May 31, 2013 was \$1.0 million and \$3.3 million and for the three and nine months ended May 31, 2012 was \$1.1 million and \$3.4 million. Amortization expense for the years ending August 31, 2013, 2014, 2015, 2016 and 2017 is expected to be \$4.2 million, \$4.0 million, \$4.0 million, \$4.0 million and \$3.8 million.

Note 5 Goodwill

Changes in the carrying value of goodwill are as follows:

<i>(In thousands)</i>	Manufacturing	Wheels, Repair & Parts	Leasing & Services	Total
Balance August 31, 2012	\$	\$ 137,066	\$	\$ 137,066
Reductions ⁽¹⁾		(2,750)		(2,750)
Goodwill impairment ⁽²⁾		(76,900)		(76,900)
Balance May 31, 2013	\$	\$ 57,416	\$	\$ 57,416

⁽¹⁾ Reduction in goodwill relates to the sale of the Company's roller bearing operations in Elizabethtown, Kentucky.

⁽²⁾ Goodwill impairment relates to the non-cash goodwill impairment charge recognized as part of the Company's annual goodwill impairment analysis as further discussed below.

The Company performs a goodwill impairment test annually during the third quarter. Goodwill is also tested more frequently if changes in circumstances or the occurrence of events indicates that a potential impairment exists. The provisions of ASC 350, Intangibles—Goodwill and Other, require the Company to perform a two-step impairment test on goodwill. The Company performed step one of the goodwill impairment test during the third quarter of 2013. In the first step, the Company compared the fair value of each reporting unit with its carrying value. The Company determined the fair value of the reporting unit based on a weighting of income and market approaches. Under the income approach, the Company calculated the fair value of a reporting unit based on the present value of estimated future cash flows. Under the market approach, the Company estimated the fair value based on observed market multiples for comparable businesses. Results of the step one analysis indicated that the carrying amounts related to Wheels, Repair & Parts were in excess of its fair value. Accordingly, the Company performed step two of the impairment analysis to determine the amount, if any, of goodwill impairment to be recorded.

In the second step, the Company compared the implied fair value of goodwill to its carrying value. The implied fair value of goodwill was determined by allocating the fair value of the 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 was considered the implied fair value of goodwill. A non-cash impairment loss was recorded to the extent that the carrying amount of the reporting unit goodwill exceeded the implied fair value of that goodwill. The impairment loss was primarily due to a reduction in market multiples for comparable businesses and updated estimated future cash flows. A pre-tax non-cash impairment charge of \$76.9 million was recorded which relates to the Wheels, Repair & Parts segment.

Note 6 Revolving Notes

Senior secured credit facilities, consisting of three components, aggregated to \$358.5 million as of May 31, 2013.

As of May 31, 2013, a \$290.0 million revolving line of credit secured by substantially all the Company's assets in the U.S. not otherwise pledged as security for term loans and maturing June 2016, was available to provide working capital and interim financing of equipment, principally for the U.S. and Mexican operations. Advances under this facility bear interest at LIBOR plus 2.25% and Prime plus 1.25% depending on the type of borrowing. Available borrowings under the credit facility are generally based on defined levels of inventory, receivables, property, plant and equipment and leased equipment, as well as total debt to consolidated capitalization and fixed charges coverage ratios.

As of May 31, 2013, lines of credit totaling \$18.5 million secured by certain of the Company's European assets, with various variable rates that range from Warsaw Interbank Offered Rate (WIBOR) plus 1.3% to WIBOR plus 1.5%, were available for working capital needs of the European manufacturing operation. European credit facilities are continually being renewed. Currently these European credit facilities have maturities that range from December 2013 through June 2015.

As of May 31, 2013, the Company's Mexican joint venture had two lines of credit totaling \$50.0 million. The first line of credit provides up to \$20.0 million and is secured by certain of the joint venture's accounts receivable and inventory. Advances under this facility bear interest at LIBOR plus 2.5%. The Mexican joint venture will be able to draw amounts available under this facility through December 2013. The second line of credit provides up to \$30.0 million and is fully guaranteed by each of the joint venture partners, including the Company. Advances under this facility bear interest at LIBOR plus 2.0%. The Mexican joint venture will be able to draw against this facility through February 2015.

As of May 31, 2013, outstanding borrowings under the senior secured credit facilities consisted of \$6.8 million in letters of credit and \$43.0 million in revolving notes outstanding under the North American credit facility and \$50.0 million outstanding under the Mexican joint venture credit facilities.

Note 7 Accounts Payable and Accrued Liabilities

<i>(In thousands)</i>	May 31, 2013	August 31, 2012
Trade payables and other accrued liabilities	\$ 214,883	\$ 258,316
Accrued payroll and related liabilities	35,643	37,915
Income taxes payable	13,166	9,625
Accrued maintenance	10,951	11,475
Accrued warranty	9,983	9,221
Other	2,338	2,956
	\$ 286,964	\$ 329,508

Note 8 Warranty Accruals

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

Warranty accrual activity:

<i>(In thousands)</i>	Three Months Ended May 31,		Nine Months Ended May 31,	
	2013	2012	2013	2012
Balance at beginning of period	\$ 10,289	\$ 9,297	\$ 9,221	\$ 8,645
Charged to cost of revenue, net	667	1,848	3,279	3,243
Payments	(904)	(525)	(2,540)	(1,194)
Currency translation effect	(69)	(173)	23	(247)
Balance at end of period	\$ 9,983	\$ 10,447	\$ 9,983	\$ 10,447

Note 9 Notes Payable

The Company's Notes payable balance was \$372.9 million as of May 31, 2013 which includes \$14.9 million of Convertible senior notes, due 2026 (the "Notes"). On specified dates or in the event of certain fundamental changes, holders can require the Company to repurchase all or a portion of their Notes at a price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest (the "Put Option").

In May 2013, the Company retired \$52.9 million of its then \$67.8 million outstanding Notes pursuant to a scheduled Put Option.

Note 10 Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss, net of tax effect as appropriate, consisted of the following:

<i>(In thousands)</i>	Unrealized	Foreign		Accumulated
	Loss on	Currency	Other	Other
	Derivative	Translation		Comprehensive
	Financial	Adjustment		Loss
	Instruments			
Balance, August 31, 2012	\$ (93)	\$ (5,951)	\$ (325)	\$ (6,369)
Year to date activity	(1,607)	270	5	(1,332)
Balance, May 31, 2013	\$ (1,700)	\$ (5,681)	\$ (320)	\$ (7,701)

Note 11 Earnings (Loss) Per Share

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

<i>(In thousands)</i>	Three Months Ended May 31,		Nine Months Ended May 31,	
	2013	2012	2013	2012
Weighted average basic common shares outstanding ⁽¹⁾⁽³⁾	26,619	26,981	26,510	26,378
Dilutive effect of warrants ⁽²⁾		836		1,217
Dilutive effect of restricted stock units ⁽²⁾⁽³⁾				
Dilutive effect of convertible notes ⁽²⁾⁽⁴⁾		6,045		6,045
Weighted average diluted common shares outstanding	26,619	33,862	26,510	33,640

- (1) Restricted stock grants are treated as outstanding when issued and are included in weighted average basic common shares outstanding when the Company is in a net earnings position. Shares outstanding exclude shares of unvested restricted stock for the three and nine months ended May 31, 2013 due to a net loss.
- (2) The dilutive effect of common stock equivalents is excluded from the share calculations for the three and nine months ended May 31, 2013 due to a net loss.
- (3) Restricted stock units were granted during the three months ended May 31, 2013. Restricted stock units are not included in weighted average basic common shares outstanding. The dilutive effect of restricted stock units is included in the weighted average diluted common shares outstanding when the Company is in a net earnings position.
- (4) The dilutive effect of the 2018 Convertible notes are included for the three and nine months ended May 31, 2012 as they were considered dilutive under the "if converted" method as further discussed below. The dilutive effect of the 2026 Convertible notes was excluded from the share calculations as the stock price for each period presented was less than the initial conversion price of \$48.05 and therefore considered anti-dilutive.

Dilutive EPS for the three and nine months ended May 31, 2012 was calculated using the more dilutive of two approaches. The first approach includes the dilutive effect of outstanding warrants and shares underlying the 2026 Convertible notes in the share count using the treasury stock method. The second approach supplements the first by including the "if converted" effect of the 2018 Convertible notes issued in March 2011. Under the "if converted" method debt issuance and interest costs, both net of tax, associated with the convertible notes are added back to net earnings and the share count is increased by the shares underlying the convertible notes. The 2026 Convertible notes would only be included in the calculation of both approaches if the current stock price is greater than the initial conversion price of \$48.05 using the treasury stock method.

The diluted earnings per share calculation below was not applicable for the three and nine months ended May 31, 2013 as the Company was in a net loss and the impact would be anti-dilutive.

	Three Months Ended May 31, 2012	Nine Months Ended May 31, 2012
Net earnings attributable to Greenbrier	\$ 19,117	\$ 51,303
Add back:		
Interest and debt issuance costs on the 2018 Convertible notes, net of tax	1,416	4,262
Earnings before interest and debt issuance costs on convertible notes	\$ 20,533	\$ 55,565
Weighted average diluted common shares outstanding	33,862	33,640
Diluted earnings per share	\$ 0.61 ⁽¹⁾	\$ 1.65 ⁽¹⁾

(1) Diluted earnings per share was calculated as follows:

Earnings before interest and debt issuance costs (net of tax) on convertible notes

Weighted average diluted common shares outstanding

Note 12 Stock Based Compensation

The value, at the date of grant, of restricted stock and restricted stock unit awards is amortized as compensation expense over the lesser of the vesting period or to the recipient's eligible retirement date.

For the three and nine months ended May 31, 2013, \$2.0 million and \$4.8 million in compensation expense was recorded for restricted stock and restricted stock unit grants. For the three and nine months ended May 31, 2012, \$3.2 million and \$6.7 million in compensation expense was recorded for restricted stock grants. Compensation expense related to restricted stock and restricted stock unit grants is recorded in Selling and administrative expense on the Consolidated Statements of Operations.

Note 13 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 Euro. Interest rate swap agreements are utilized to reduce the impact of changes in interest rates on certain debt. The Company's foreign currency forward exchange contracts and interest rate swap agreements are designated as cash flow hedges, and therefore the effective portion of unrealized gains and losses are recorded in accumulated other comprehensive loss.

At May 31, 2013 exchange rates, forward exchange contracts for the purchase of Polish Zloty and the sale of Euro aggregated to \$58.9 million. Adjusting the foreign currency exchange contracts to the fair value of the cash flow hedges at May 31, 2013 resulted in an unrealized pre-tax loss of \$0.8 million that was recorded in accumulated other comprehensive loss. The fair value of the contracts is included in Accounts payable and accrued liabilities when there is a loss, or Accounts receivable, net when there is a gain, on the Consolidated Balance Sheets. As the contracts mature at various dates through February 2014, any such gain or loss remaining will be recognized in manufacturing revenue along with the related transactions when they occur. In the event that the underlying sales transaction does not occur or does not occur in the period designated at the inception of the hedge, the amount classified in accumulated other comprehensive loss would be reclassified to the current year's results of operations in Interest and foreign exchange.

At May 31, 2013, an interest rate swap agreement had a notional amount of \$41.9 million and matures March 2014. The fair value of this cash flow hedge at May 31, 2013 resulted in an unrealized pre-tax loss of \$1.7 million. The loss is included in Accumulated other comprehensive loss and the fair value of the contract is included in Accounts payable and accrued liabilities on the Consolidated Balance Sheet. As interest expense on the underlying debt is recognized, amounts corresponding to the interest rate swap are reclassified from accumulated other comprehensive loss and charged or credited to interest expense. At May 31, 2013 interest rates, approximately \$1.2 million would be reclassified to interest expense in the next 12 months.

Fair Values of Derivative Instruments

	Asset Derivatives			Liability Derivatives		
	Balance sheet location	May 31, 2013 Fair Value	August 31, 2012 Fair Value	Balance sheet location	May 31, 2013 Fair Value	August 31, 2012 Fair Value
<i>(In thousands)</i>						
Derivatives designated as hedging instruments						
Foreign forward exchange contracts	Accounts receivable	\$ 1,058	\$ 2,703	Accounts payable and accrued liabilities	\$ 723	\$ 182
Interest rate swap contract	Other assets			Accounts payable and accrued liabilities	1,659	2,861
		\$ 1,058	\$ 2,703		\$ 2,382	\$ 3,043
Derivatives not designated as hedging instruments						
Foreign forward exchange contracts		\$ 184	\$ 141		\$ 113	\$ 102

Accounts
receivable

Accounts payable
and accrued liabilities

The Effect of Derivative Instruments on the Statement of Operations

Derivatives in cash flow hedging relationships	Loss recognized in OCI on derivatives (effective portion) nine months ended		Location of gain (loss) recognized in income on derivative	Loss recognized in income on derivative nine months ended		Gain recognized on derivative (ineffective portion and amount excluded from effectiveness testing) nine months ended		
				May 31, 2013	May 31, 2012	5/31/13	5/31/12	
Foreign forward exchange contracts			Interest and foreign exchange	\$ (108)	\$ (144)			
Foreign forward exchange contracts	\$ (997)	\$ (3,345)	Revenue	\$ 1,927	\$ (3,917)	Interest and foreign exchange	\$ 2,088	\$
Interest rate swap contract	(47)	(2,503)	Interest and foreign exchange	(1,250)	(1,266)	Interest and foreign exchange		
	\$ (1,044)	\$ (5,848)		\$ 677	\$ (5,183)		\$ 2,088	\$

Note 14 Segment Information

Greenbrier operates in three reportable segments: Manufacturing; Wheels, Repair & 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 2012 Annual Report on Form 10-K. Performance is evaluated based on margin. The Company's integrated business model results in selling and administrative costs being intertwined among the segments. Currently, Greenbrier's management does not allocate these costs for either external or internal reporting purposes. Intersegment sales and transfers are valued as if the sales or transfers were to third parties. Related revenue and margin is eliminated in consolidation and therefore are not included in consolidated results in the Company's Consolidated Financial Statements.

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

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2013	2012	2013	2012
<i>(In thousands)</i>				
Revenue:				
Manufacturing	\$ 299,750	\$ 370,993	\$ 845,198	\$ 1,004,507
Wheels, Repair & Parts	133,715	128,925	366,850	375,242
Leasing & Services	20,758	24,196	62,679	70,585
Intersegment eliminations	(20,560)	(16,317)	(2,524)	(86,153)
	\$ 433,663	\$ 507,797	\$ 1,272,203	\$ 1,364,181
Margin:				
Manufacturing	\$ 31,231	\$ 39,506	\$ 89,504	\$ 95,328
Wheels, Repair & Parts	10,691	13,535	30,133	38,733
Leasing & Services	8,097	8,897	26,436	25,818
Segment margin total	50,019	61,938	146,073	159,879
Less unallocated expenses:				
Selling and administrative	25,322	28,784	76,364	76,998
Net gain on disposition of equipment	(5,131)	(2,585)	(9,615)	(8,897)
Interest and foreign exchange	5,905	6,560	18,127	18,574
Goodwill impairment ⁽¹⁾	76,900		76,900	
Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates	\$ (52,977)	\$ 29,179	\$ (15,703)	\$ 73,204

⁽¹⁾ Relates to the Wheels, Repair & Parts segment.

Note 15 Commitments and Contingencies

The Company's Portland, Oregon manufacturing facility is located adjacent to the Willamette River. The Company has entered into a Voluntary Clean-Up Agreement with the Oregon Department of Environmental Quality (DEQ) 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 precedes its ownership.

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). The Company and 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 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 (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 \$100 million over a 13-year period. The Company has agreed to initially bear a percentage of the total costs incurred by the LWG in connection with the investigation. The Company has also signed an Order on Consent with DEQ to formalize monitoring on its property of potential uncontrolled sources of contamination to the Willamette River. The Company's aggregate expenditure has not been material over the 13-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 one more year and additional costs are expected to be incurred. The Company 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, the Company and the other AOC signatories filed suit against 69 other parties due to a possible limitations period for some such claims; *Arkema Inc. et al v. A & C Foundry Products, Inc. et al*, US District Court, District of Oregon, Case #3:09-cv-453-PK. All but 12 of these parties elected to sign tolling agreements and be dismissed without prejudice, and the case has now been stayed by the court, pending completion of the RI/FS. 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 the Company's 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, the Company believes that it 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 its property precedes its ownership of the Portland, Oregon manufacturing facility. Because these environmental investigations are still underway, sufficient information is currently not available to determine the Company's 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, the Company 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 Consolidated Financial Statements, or the value of its Portland property.

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

Greenbrier's customer, SEB Finans AB (SEB), has raised performance concerns related to a component that the Company installed on 372 railcar units with an aggregate sales value of approximately \$20.0 million produced under a contract with SEB. On December 9, 2005, SEB filed a Statement of Claim in an arbitration proceeding in Stockholm, Sweden, against Greenbrier alleging that the railcars 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. SEB has made multiple additional warranty claims, including claims with respect to railcars that have been repaired pursuant to the original settlement agreement. Greenbrier and SEB have not reached a final agreement on all outstanding matters, but Greenbrier believes that it has substantially performed all obligations with respect to the settlement and subsequent warranty claims, and does not have any remaining material obligations or contingencies with respect to the 372 railcar units.

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 with respect to defects in the design and manufacture of the freight cars, though Greenbrier and Okombi have not agreed upon the cause of performance problems with the freight cars. All 201 freight cars have been removed from service, and there are no known plans for the freight cars to reenter service. Greenbrier and Okombi have discussed repurposing of the cars and other potential business resolutions of all outstanding issues concerning the 201 freight cars, though a final agreement on all outstanding matters has not yet been reached. Greenbrier intends to continue discussions concerning potential business opportunities, but Greenbrier believes that it has substantially performed all obligations with respect to the settlement and subsequent warranty claims, and does not have any remaining material obligations or contingencies with respect to the 201 freight cars.

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.

In accordance with customary business practices in Europe, the Company has \$1.8 million in bank and third party warranty and performance guarantee facilities as of May 31, 2013. To date no amounts have been drawn under these guarantee facilities.

At May 31, 2013, the Mexican joint venture had \$50.2 million of third party debt outstanding, for which the Company has guaranteed approximately \$40.1 million. In addition, the Company, along with its joint venture partner, has committed to contributing \$10.0 million to fund capital expenditures for a fourth manufacturing line, of which the Company and its joint venture partner will each contribute 50%. These amounts will be contributed at various intervals from May 31, 2012 to October 31, 2013. As of May 31, 2013, the Company and the joint venture partner have each contributed \$3.9 million.

As of May 31, 2013 the Company has outstanding letters of credit aggregating \$6.8 million associated with facility leases and workers compensation insurance.

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 fair value as follows:

- Level 1 - observable inputs such as unadjusted quoted prices in active markets for identical instruments;
 Level 2 - inputs, other than the quoted market prices in active markets for similar instruments, which are observable, either directly or indirectly; and
 Level 3 - unobservable inputs for which there is little or no market data available, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value on a recurring basis as of May 31, 2013 are:

<i>(In thousands)</i>	Total	Level 1	Level 2 ⁽¹⁾	Level 3
Assets:				
Derivative financial instruments	\$ 1,242	\$	\$ 1,242	\$
Nonqualified savings plan investments	7,981	7,981		
Cash equivalents	1,004	1,004		
	\$ 10,227	\$ 8,985	\$ 1,242	\$
Liabilities:				
Derivative financial instruments	\$ 2,495	\$	\$ 2,495	\$

- (1) Level 2 assets and liabilities include derivative financial instruments which are valued based on observable inputs. See note 13 Derivative Instruments for further discussion.

Assets or liabilities measured at fair value on a nonrecurring basis as of May 31, 2013 are:

<i>(In thousands)</i>	Total	Level 1	Level 2	Level 3 ⁽²⁾
Assets:				
Goodwill	\$ 57,416	\$	\$	\$ 57,416

- (2) Level 3 assets and liabilities include goodwill which is valued based on unobservable inputs. See note 5 Goodwill for further discussion.

Assets and liabilities measured at fair value on a recurring basis as of August 31, 2012 are:

<i>(In thousands)</i>	Total	Level 1	Level 2	Level 3
Assets:				
Derivative financial instruments	\$ 2,844	\$	\$ 2,844	\$
Nonqualified savings plan investments	6,667	6,667		
Cash equivalents	1,002	1,002		
	\$ 10,513	\$ 7,669	\$ 2,844	\$

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Liabilities:

Derivative financial instruments	\$ 3,145	\$	\$ 3,145	\$
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Assets or liabilities measured at fair value on a nonrecurring basis as of August 31, 2012 are:

<i>(In thousands)</i>	Total	Level 1	Level 2	Level 3
Assets:				
Goodwill	\$ 137,066	\$	\$	\$ 137,066

Note 17 Variable Interest Entities

March 2012 Agreement

In March 2012, the Company formed a special purpose entity that purchased a 1% interest in three trusts (the Trusts) which are 99% owned by a third party. As of May 31, 2013, the Company has completed the sale of all 1,163 railcars to the Trusts for an aggregate value of \$99.6 million. 743 railcars were sold in May 2012 with an aggregate value of \$61.1 million, 200 railcars were sold in November 2012 with an aggregate value of \$15.9 million and 220 railcars were sold in February 2013 with an aggregate value of \$22.6 million.

Gains and losses are allocated between the Company and the third party equal to their respective ownership interest in the Trusts, with the exception that the Company may be entitled to receive a small portion of excess rent if the actual performance of the Trusts exceeds a target rate of return.

The Company contributed \$6.9 million of cash collateral into restricted cash accounts to support the railcar portfolio meeting a target minimum rate of return. If the actual return is less than the target return, the third party may withdraw amounts in the restricted cash accounts at certain intervals based on predetermined criteria. This obligation expires in March 2033. This \$6.9 million, which is held in restricted cash, was recorded as a reduction in revenue on the sale of 1,020 new railcars and a reduction in gain on sale on the sale of the 143 used railcars with a credit to deferred revenue.

In connection with this transaction, the Company entered into an agreement to provide administrative and remarketing services to the Trusts. The agreement is currently set to expire in March 2033. The Company also entered into an agreement to provide maintenance services to the Trusts during the initial lease term of the railcars. The Company will receive management and maintenance fees under each of the aforementioned agreements.

The Company has evaluated this relationship under ASC 810-10 and has concluded that the Trusts qualify as variable interest entities and that the Company is not the primary beneficiary. The Company will not consolidate the Trusts and will account for the investments under the equity method of accounting.

As of May 31, 2013, the carrying amount of the Company's investment in the Trust is \$1.0 million which is recorded in Intangibles and Other Assets, net on the Consolidated Balance Sheets.

May 2013 Agreement

In May 2013, the Company formed a special purpose entity that purchased an 8% interest in a joint venture special purpose entity (Joint Venture) which is 92% owned by a third party. The Company agreed to sell 98 railcars manufactured by the Company and subject to operating leases, for \$7.9 million to the Joint Venture.

Gains and losses will be allocated between the Company and the third party equal to their respective ownership interest in the Joint Venture.

In connection with this transaction, the Company entered into an agreement to provide administrative and remarketing services to the Joint Venture and will earn a management fee for these services. The agreement is currently set to expire in May 2033.

The Company has evaluated this relationship under ASC 810-10 and has concluded that the Joint Venture qualifies as a variable interest entity and that the Company is not the primary beneficiary. The Company will not consolidate the Joint Venture and will account for the investment under the equity method of accounting. The Company will eliminate 8% of the revenue and margin on railcars that were manufactured by the Company and sold to the Joint Venture.

As of May 31, 2013, the carrying amount of the Company's investment in the Joint Venture is \$0.6 million which is recorded in Intangibles and Other Assets, net on the Consolidated Balance Sheets.

Note 18 Guarantor/Non Guarantor

The convertible senior notes due 2026 (the Notes) issued on May 22, 2006 are fully and unconditionally and jointly and severally guaranteed by substantially all of Greenbrier's material 100% owned U.S. subsidiaries: Autostack Company LLC, Greenbrier-Concarril, LLC, Greenbrier Leasing Company LLC, Greenbrier Leasing Limited Partner, LLC, Greenbrier Management Services, LLC, Greenbrier Leasing, L.P., Greenbrier Railcar LLC, Gunderson LLC, Gunderson Marine LLC, Gunderson Rail Services LLC, Meridian Rail Holding Corp., Meridian Rail Acquisition Corp., Meridian Rail Mexico City Corp., Brandon Railroad LLC, Gunderson Specialty Products, LLC and Greenbrier Railcar Leasing, Inc. No other subsidiaries guarantee the Notes including Greenbrier Union Holdings I LLC, Greenbrier MUL Holdings I LLC, Greenbrier Leasing Limited, Greenbrier Europe B.V., Greenbrier Germany GmbH, WagonySwidnica S.A., Zaklad Naprawczy Taboru Kolejowego Olawa sp. z o.o., Zaklad Transportu Kolejowego SIARKOPOL Sp. z o.o., Gunderson-Concarril, S.A. de C.V., Greenbrier Rail Services Canada, Inc., Mexico Meridianrail Services, S.A. de C.V., Greenbrier Railcar Services - Tierra Blanca S.A. de C.V., YSD Doors, S.A. de C.V., Gunderson-Gimsa S.A. de C.V., Greenbrier, S.A. de C.V. and Greenbrier-Gimsa, LLC.

The following represents the supplemental consolidating condensed financial information of Greenbrier and its guarantor and non guarantor subsidiaries, as of May 31, 2013 and August 31, 2012, for the three and nine months ended May 31, 2013 and 2012. 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.

The Greenbrier Companies, Inc.

Condensed Consolidating Balance Sheet

May 31, 2013

(In thousands, unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 19,768	\$ 56	\$ 11,782	\$	\$ 31,606
Restricted cash		2,006	6,900		8,906
Accounts receivable, net	(37,239)	181,223	18,370	(2)	162,352
Inventories		165,182	179,163	(177)	344,168
Leased railcars for syndication		71,619		(528)	71,091
Equipment on operating leases, net		332,305	3,197	(2,578)	332,924
Property, plant and equipment, net	2,441	103,278	92,060		197,779
Goodwill		57,416			57,416
Intangibles and other assets, net	686,864	111,175	4,914	(723,589)	79,364
	\$ 671,834	\$ 1,024,260	\$ 316,386	\$ (726,874)	\$ 1,285,606
Liabilities and Equity					
Revolving notes	\$ 43,000	\$	\$ 49,968	\$	\$ 92,968
Accounts payable and accrued liabilities	(24,647)	191,323	120,286	2	286,964
Deferred income taxes	3,723	91,009	(7,360)	(1,143)	86,229
Deferred revenue	194	15,517	453	39	16,203
Notes payable	244,856	127,884	202		372,942
Total equity - Greenbrier	404,708	598,527	127,546	(726,074)	404,707
Noncontrolling interest			25,291	302	25,593
Total equity	404,708	598,527	152,837	(725,772)	430,300
	\$ 671,834	\$ 1,204,260	\$ 316,386	\$ (726,874)	\$ 1,285,606

THE GREENBRIER COMPANIES, INC.

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Operations

For the three months ended May 31, 2013

(In thousands, unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenue					
Manufacturing	\$	\$ 143,411	\$ 251,120	\$ (109,940)	\$ 284,591
Wheels, Repair & Parts		133,069		(1,902)	131,167
Leasing & Services	310	17,596	(1)		17,905
	310	294,076	251,119	(111,842)	433,663
Cost of revenue					
Manufacturing		129,348	234,390	(110,378)	253,360
Wheels, Repair & Parts		122,316		(1,840)	120,476
Leasing & Services		9,830		(22)	9,808
		261,494	234,390	(112,240)	383,644
Margin	310	32,582	16,729	398	50,019
Selling and administrative	9,903	7,771	7,648		25,322
Net gain on disposition of equipment		(4,214)	(723)	(194)	(5,131)
Goodwill impairment		76,900			76,900
Earnings (loss) from operations	(9,593)	(47,875)	9,804	592	(47,072)
Other costs					
Interest and foreign exchange	4,124	1,001	780		5,905
Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates	(13,717)	(48,876)	9,024	592	(52,977)
Income tax (expense) benefit	3,960	(4,716)	(1,568)	(405)	(2,729)
Earnings (loss) before earnings (loss) from unconsolidated affiliates	(9,757)	(53,592)	7,456	187	(55,706)
Earnings (loss) from unconsolidated affiliates	(46,273)	3,317	11	43,027	82
Net earnings (loss)	(56,030)	(50,275)	7,467	43,214	(55,624)
Net (earnings) loss attributable to noncontrolling interest			(383)	(23)	(406)
Net earnings (loss) attributable to Greenbrier	\$ (56,030)	\$ (50,275)	\$ 7,084	\$ 43,191	\$ (56,030)

THE GREENBRIER COMPANIES, INC.

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Operations

For the nine months ended May 31, 2013

(In thousands)

	Parent	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenue					
Manufacturing	\$	\$ 473,213	\$ 690,319	\$ (299,526)	\$ 864,006
Wheels, Repair & Parts		363,799		(8,580)	355,219
Leasing & Services	787	52,208		(17)	52,978
	787	889,220	690,319	(308,123)	1,272,203
Cost of revenue					
Manufacturing		431,221	646,924	(303,643)	774,502
Wheels, Repair & Parts		333,823		(8,737)	325,086
Leasing & Services		26,617		(75)	26,542
		791,661	646,924	(312,455)	1,126,130
Margin	787	97,559	43,395	4,332	146,073
Selling and administrative	30,014	23,309	23,041		76,364
Net gain on disposition of equipment		(7,781)	(1,276)	(558)	(9,615)
Goodwill impairment		76,900			76,900
Earnings (loss) from operations	(29,227)	5,131	21,630	4,890	2,424
Other costs					
Interest and foreign exchange	12,207	2,870	3,251	(201)	18,127
Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates	(41,434)	2,261	18,379	5,091	(15,703)
Income tax (expense) benefit	16,645	(24,086)	(3,964)	(1,500)	(12,905)
Earnings (loss) before earnings (loss) from unconsolidated affiliates	(24,789)	(21,825)	14,415	3,591	(28,608)
Earnings (loss) from unconsolidated affiliates	(6,975)	3,755	27	3,130	(63)
Net earnings (loss)	(31,764)	(18,070)	14,442	6,721	(28,671)
Net (earnings) loss attributable to noncontrolling interest			(1,570)	(1,523)	(3,093)
Net earnings (loss) attributable to Greenbrier	\$ (31,764)	\$ (18,070)	\$ 12,872	\$ 5,198	\$ (31,764)

THE GREENBRIER COMPANIES, INC.

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Cash Flows

For the nine months ended May 31, 2013

(In thousands, unaudited)

<i>(In thousands)</i>	Parent	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net earnings (loss)	\$ (31,764)	\$ (18,070)	\$ 14,442	\$ 6,721	\$ (28,671)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:					
Deferred income taxes	(5,373)	(5,585)	67	1,500	(9,391)
Depreciation and amortization	1,651	22,918	7,030	(76)	31,523
Net gain on disposition of equipment		(7,780)	(1,277)	(558)	(9,615)
Accretion of debt discount	2,455				2,455
Stock based compensation	4,843				4,843
Goodwill impairment		76,900			76,900
Other		128	(69)	(1,954)	(1,895)
Decrease (increase) in assets:					
Accounts receivable	(2,062)	(43,032)	29,985	(390)	(15,499)
Inventories		(9,185)	198	(127)	(9,114)
Leased railcars for syndication		24,331		(2,264)	22,067
Other	(650)	1,351	25,904	(26,267)	338
Increase (decrease) in liabilities:					
Accounts payable and accrued liabilities	7,580	(14,813)	(36,373)	1	(43,605)
Deferred revenue	(116)	(533)	(460)	10	(1,099)
Net cash provided by (used in) operating activities	(23,436)	26,630	39,447	(23,404)	19,237
Cash flows from investing activities:					
Proceeds from sales of assets		38,817	794		39,611
Investment in and net advances to unconsolidated affiliates	712	(23,845)	(1,016)	23,133	(1,016)
Intercompany advances	1,261			(1,261)	
Decrease (increase) in restricted cash		40	(2,669)		(2,629)
Capital expenditures	(371)	(24,555)	(25,022)	271	(49,677)
Other			(3,582)		(3,582)
Net cash provided by (used in) investing activities	1,602	(9,543)	(31,495)	22,143	(17,293)
Cash flows from financing activities:					
Net changes in revolving notes with maturities of 90 days or less	43,000		(16,027)		26,973
Proceeds from revolving notes with maturities longer than 90 days			31,847		31,847
Repayment of revolving notes with maturities longer than 90 days			(26,877)		(26,877)
Intercompany advances	16,374	(15,274)	(2,361)	1,261	
Repayments of notes payable	(52,868)	(3,069)	(1,655)		(57,592)
Investment by joint venture partner			2,577		2,577

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Excess tax benefit from restricted stock awards	777				777
Other	(8)				(8)
Net cash provided by (used in) financing activities	7,275	(18,343)	(12,496)	1,261	(22,303)
Effect of exchange rate changes	4	1,018	(2,628)		(1,606)
Increase (decrease) in cash and cash equivalents	(14,555)	(238)	(7,172)		(21,965)
Cash and cash equivalents					
Beginning of period	34,323	294	18,954		53,571
End of period	\$ 19,768	\$ 56	\$ 11,782	\$	\$ 31,606

THE GREENBRIER COMPANIES, INC.

The Greenbrier Companies, Inc.

Condensed Consolidating Balance Sheet

August 31, 2012

(In thousands)

	Parent	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 34,323	\$ 294	\$ 18,954	\$	\$ 53,571
Restricted cash		2,047	4,230		6,277
Accounts receivable, net	(21,666)	122,917	45,467	(392)	146,326
Inventories		138,236	178,810	(305)	316,741
Leased railcars for syndication		100,590		(2,792)	97,798
Equipment on operating leases, net		365,925		(2,957)	362,968
Property, plant and equipment, net	3,721	106,219	72,489		182,429
Goodwill		137,066			137,066
Intangibles and other assets, net	688,261	91,278	3,620	(701,791)	81,368
	\$ 704,639	\$ 1,064,572	\$ 323,570	\$ (708,237)	\$ 1,384,544
Liabilities and Equity					
Revolving notes	\$	\$	\$ 60,755	\$	\$ 60,755
Accounts payable and accrued liabilities	(31,814)	205,477	155,844	1	329,508
Deferred income taxes	9,097	96,593	(7,684)	(2,643)	95,363
Deferred revenue	310	15,970	901	13	17,194
Notes payable	295,269	130,953	1,857		428,079
Total equity - Greenbrier	431,777	615,579	90,761	(706,340)	431,777
Noncontrolling interest			21,136	732	21,868
Total equity	431,777	615,579	111,897	(705,608)	453,645
	\$ 704,639	\$ 1,064,572	\$ 323,570	\$ (708,237)	\$ 1,384,544

THE GREENBRIER COMPANIES, INC.

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Operations

For the three months ended May 31, 2012

(In thousands, unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenue					
Manufacturing	\$	\$ 240,773	\$ 288,085	\$ (163,928)	\$ 364,930
Wheels, Repair & Parts		128,100		(2,955)	125,145
Leasing & Services	77	17,785		(140)	17,722
	77	386,658	288,085	(167,023)	507,797
Cost of revenue					
Manufacturing		218,964	270,494	(164,034)	325,424
Wheels, Repair & Parts		114,490		(2,880)	111,610
Leasing & Services		8,845		(20)	8,825
		342,299	270,494	(166,934)	445,859
Margin	77	44,359	17,591	(89)	61,938
Selling and administrative expense	11,287	8,373	9,124		28,784
Net gain on disposition of equipment		(2,585)			(2,585)
Earnings (loss) from operations	(11,210)	38,571	8,467	(89)	35,739
Other costs					
Interest and foreign exchange	4,671	968	1,238	(317)	6,560
Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates	(15,881)	37,603	7,229	228	29,179
Income tax (expense) benefit	3,731	(13,604)	1,350	(132)	(8,655)
Earnings (loss) before earnings (loss) from unconsolidated affiliates	(12,150)	23,999	8,579	96	20,524
Earnings (loss) from unconsolidated affiliates	30,761	2,334		(32,894)	201
Net earnings (loss)	18,611	26,333	8,579	(32,798)	20,725
Net (earnings) loss attributable to noncontrolling interest	506		(1,755)	(359)	(1,608)
Net earnings (loss) attributable to Greenbrier	\$ 19,117	\$ 26,333	\$ 6,824	\$ (33,157)	\$ 19,117

THE GREENBRIER COMPANIES, INC.

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Operations

For the nine months ended May 31, 2012

(In thousands)

	Parent	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenue					
Manufacturing	\$	\$ 646,114	\$ 757,432	\$ (455,754)	\$ 947,792
Wheels, Repair & Parts		372,138		(9,350)	362,788
Leasing & Services	824	53,282		(505)	53,601
	824	1,071,534	757,432	(465,609)	1,364,181
Cost of revenue					
Manufacturing		580,775	721,048	(449,359)	852,464
Wheels, Repair & Parts		333,356		(9,301)	324,055
Leasing & Services		27,838		(55)	27,783
		941,969	721,048	(458,715)	1,204,302
Margin	824	129,565	36,384	(6,894)	159,879
Selling and administrative expense	32,612	21,867	22,519		76,998
Net gain on disposition of equipment		(8,896)		(1)	(8,897)
Earnings (loss) from operations	(31,788)	116,594	13,865	(6,893)	91,778
Other costs					
Interest and foreign exchange	14,241	2,749	2,457	(873)	18,574
Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates	(46,029)	113,845	11,408	(6,020)	73,204
Income tax (expense) benefit	17,538	(43,326)	3,016	974	(21,798)
Earnings (loss) before earnings (loss) from unconsolidated affiliates	(28,491)	70,519	14,424	(5,046)	51,406
Earnings (loss) from unconsolidated affiliates	79,149	924		(80,172)	(99)
Net earnings (loss)	50,658	71,443	14,424	(85,218)	51,307
Net (earnings) loss attributable to noncontrolling interest	645		(3,445)	2,796	(4)
Net earnings (loss) attributable to Greenbrier	\$ 51,303	\$ 71,443	\$ 10,979	\$ (82,422)	\$ 51,303

THE GREENBRIER COMPANIES, INC.

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Cash Flows

For the nine months ended May 31, 2012

	Parent	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net earnings (loss)	\$ 50,658	\$ 71,443	\$ 14,424	\$ (85,218)	\$ 51,307
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:					
Deferred income taxes	19,418	(9,262)	(4,381)	(974)	4,801
Depreciation and amortization	2,001	22,657	6,000	(55)	30,603
Net gain on disposition of equipment		(8,896)		(1)	(8,897)
Accretion of debt discount	2,416				2,416
Stock based compensation expense	6,724				6,724
Other		783	7	2,796	3,586
Decrease (increase) in assets					
Accounts receivable	12,317	7,793	(10,137)	456	10,429
Inventories		1,744	(28,540)	48	(26,748)
Leased railcars for syndication		(45,566)		2,005	(43,561)
Other	986	(427)	3,277	(5,255)	(1,419)
Increase (decrease) in liabilities					
Accounts payable and accrued liabilities	(40,919)	47,734	5,606	(20)	12,401
Deferred revenue	(116)	9,246	2,846	15	11,991
Net cash provided by (used in) operating activities	53,485	97,249	(10,898)	(86,203)	53,633
Cash flows from investing activities:					
Proceeds from sales of assets		33,253			33,253
Investment in and net advances to unconsolidated affiliates	(84,403)	(954)	(614)	85,427	(544)
Intercompany advances	3,053			(3,053)	
Change in restricted cash		254	(4,230)		(3,976)
Capital expenditures	(544)	(53,420)	(18,929)	776	(72,117)
Other		35			35
Net cash provided by (used in) investing activities	(81,894)	(20,832)	(23,773)	83,150	(43,349)
Cash flows from financing activities:					
Net change in revolving notes with maturities of 90 days or less	(50,000)		886		(49,114)
Proceeds from revolving notes with maturities longer than 90 days			56,644		56,644
Repayments of revolving notes with maturities longer than 90 days			(23,573)		(23,573)
Intercompany advances	73,845	(73,995)	(2,903)	3,053	
Proceeds from notes payable			2,500		2,500
Repayments of notes payable		(3,123)	(2,905)		(6,028)
Investment by joint venture partner			410		410
Excess tax benefit from restricted stock awards	2,670				2,670

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Net cash provided by (used in) financing activities	26,515	(77,118)	31,059	3,053	(16,491)
Effect of exchange rate changes	42	277	581		900
Decrease in cash and cash equivalents	(1,852)	(424)	(3,031)		(5,307)
Cash and cash equivalents					
Beginning of period	33,368	529	16,325		50,222
End of period	\$ 31,516	\$ 105	\$ 13,294	\$	\$ 44,915

Note 19 Subsequent Events

Wheels, Repair & Parts Update

As part of the Company's previously announced plans to enhance margins and improve capital efficiency, subsequent to quarter end, the Company announced its decision to sell or close eight facilities and to implement initiatives to improve profitability and reduce capital employed at six additional facilities within the Company's Wheels, Repair & Parts segment. The Company also announced the retirement of the president of Greenbrier Rail Services, effective July 1, 2013, and the appointment of new senior managers for the business segment. In connection with these actions, the Company anticipates it will incur pre-tax cash restructuring charges of about \$3.0 - 5.0 million over the next 2 - 3 quarters excluding any gains or losses on disposition.

Manufacturing Operations Disruption

During June 2013, the Company experienced a temporary disruption of manufacturing operations at the Company's manufacturing facility in Sahagun, Mexico, due to an illegal strike of unionized workers who make up a portion of the Company's work force pursuant to a contract with a third party. The union and the third party reached a financial settlement, which is not expected to have a material impact on the Company's cost of goods sold. The work stoppage adversely impacted approximately three weeks of the Company's manufacturing operations, and will result in a reduction in new railcar deliveries for the fourth quarter of up to 150 railcars.

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

We operate in three primary business segments: Manufacturing; Wheels, Repair & Parts; and Leasing & Services. These three business segments are operationally integrated. The Manufacturing segment, operating from facilities in the United States, Mexico and Poland, produces double-stack intermodal railcars, conventional railcars, tank cars and marine vessels. The Wheels, Repair & Parts segment performs wheel and axle servicing; railcar repair, refurbishment and maintenance activities; as well as production and reconditioning of a variety of parts for the railroad industry in North America. The Leasing & Services segment owns approximately 9,400 railcars and provides management services for approximately 228,000 railcars for railroads, shippers, carriers, institutional investors and other leasing and transportation companies in North America. We also produce rail castings through an unconsolidated joint venture. Management evaluates segment performance based on margins.

Multi-year supply agreements are a part of rail industry practice. 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 total manufacturing backlog of railcar units as of May 31, 2013 was approximately 14,200 units with an estimated value of \$1.57 billion compared to 11,500 units with an estimated value of \$1.14 billion as of May 31, 2012. Currently, the entire backlog is expected to be sold to third parties, therefore no orders in our backlog are expected to be placed into our owned lease fleet. 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. Our backlog of railcar units and marine vessels is not necessarily indicative of future results of operations. Subsequent to quarter end we received new railcar orders for 2,100 units valued at \$153 million. The new orders referenced are subject to customary documentation and completion of terms.

Marine backlog as of May 31, 2013 was approximately \$1.6 million compared to \$25.9 million as of May 31, 2012. In addition, we are party to a letter of intent for 15 barges valued at \$60 million subject to significant permitting and other conditions.

The results of our annual goodwill impairment test during the quarter indicated that the carrying amount related to Wheels, Repair & Parts was in excess of fair value. As a result, a non-cash impairment loss was recorded to the extent that the carrying amount of the reporting unit's goodwill exceeded the implied fair value of that goodwill. A non-cash impairment charge of \$76.9 million was recorded for the three and nine months ended May 31, 2013. After the goodwill impairment charge, a balance of \$57.4 million remained in goodwill related to Wheels, Repair & Parts as of May 31, 2013.

As part of our previously announced plans to enhance margins and improve capital efficiency, subsequent to quarter end, we announced our decision to sell or close eight facilities and to implement initiatives to improve profitability and reduce capital employed at six additional facilities within our Wheels, Repair & Parts segment. We also announced the retirement of the President of Greenbrier Rail Services, effective July 1, 2013, and the appointment of new senior managers for the business segment. In connection with these actions, we anticipate we will incur pre-tax cash restructuring charges of approximately \$3.0 to \$5.0 million over the next 2 to 3 quarters excluding any gains or losses on disposition.

During June 2013, we experienced a temporary disruption of manufacturing operations at our manufacturing facility in Sahagun, Mexico, due to an illegal strike of unionized workers who make up a portion of our work force pursuant to a contract with a third party. The union and the third party reached a financial settlement, which is not expected to have a material impact on our cost of goods sold. The work stoppage adversely impacted approximately three weeks of our manufacturing operations, and will result in a reduction in new railcar deliveries for the fourth quarter of up to 150 railcars.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. 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.

Environmental costs - At times we may be involved in various proceedings related to environmental matters. We estimate future costs for known environmental remediation requirements and accrue for them when it is probable that we have incurred a liability and the related costs can be reasonably estimated based on currently available information. If further developments or resolution of an environmental matter result in facts and circumstances that are significantly different than the assumptions used to develop these reserves, the accrual for environmental remediation could be materially understated or overstated. Adjustments to these liabilities are made when additional information becomes available that affects the estimated costs to study or remediate any environmental issues or when expenditures for which reserves are established are made. Due to the uncertain nature of estimating potential environmental matters, there can be no assurance that we will not become involved in future litigation or other proceedings or, if we were found to be responsible or liable in any litigation or proceeding, that such costs would not be material to us.

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 collectability is reasonably assured.

Railcars are generally manufactured, repaired or refurbished and wheel services and parts produced under firm orders from third parties. Revenue is recognized when these products or services are completed, accepted by an unaffiliated customer and contractual contingencies removed. Certain leases are operated under car hire arrangements whereby revenue is earned based on utilization, car hire rates and terms specified in the lease agreement. Car hire revenue is reported from a third party source two months in arrears; however, such revenue is accrued in the month earned based on estimates of use from historical activity and is adjusted to actual as reported. These estimates are inherently uncertain as they involve judgment as to the estimated use of each railcar. Adjustments to actual have historically not been significant. Revenues from construction of marine barges are either recognized on the percentage of completion method during the construction period or on the completed contract method based on the terms of the contract. Under the percentage of completion method, judgment is used to determine a definitive threshold against which progress towards completion can be measured to determine timing of revenue recognition.

We will periodically sell railcars with leases attached to financial investors. In addition we will often perform management or maintenance services at market rates for these railcars. Pursuant to the guidance in ASC 840-20-40, we evaluate the terms of any remarketing agreements and any contractual provisions that represent retained risk and the level of retained risk based on those provisions. We determine whether the level of retained risk exceeds 10% of the individual fair value of the railcars delivered. For any contracts with multiple elements (i.e. railcars, maintenance, management services, etc) we allocate revenue among the deliverables primarily based upon objective and reliable evidence of the fair value of each element in the arrangement. If objective and reliable evidence of fair value of any element is not available, we will use the element's estimated selling price for purposes of allocating the total arrangement consideration among the elements.

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

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

Goodwill and indefinite-lived intangible assets are tested for impairment 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 Accounting Standards Codification (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 when the carrying value of the reporting unit exceeds its fair value as determined in the first step. In the second step we would compare the implied fair value of goodwill to its carrying value. The implied fair value of goodwill is determined by allocating the fair value of a reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the reporting unit. The excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. An impairment loss is recorded to the extent that the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill. The goodwill balance as of May 31, 2013 of \$57.4 million relates to the Wheels, Repair & Parts segment.

Results of Operations

Greenbrier operates in three reportable segments: Manufacturing; Wheels, Repair & Parts; and Leasing & Services. Segment performance is evaluated based on margin. The Company's integrated business model results in selling and administrative costs being intertwined among the segments. Currently, management does not allocate these costs for either external or internal reporting purposes.

Three Months Ended May 31, 2013 Compared to Three Months Ended May 31, 2012

Overview

Total revenue for the three months ended May 31, 2013 was \$433.7 million, a decrease of \$74.1 million from revenues of \$507.8 million in the prior comparable period. The decrease was primarily the result of lower revenues in the manufacturing segment of our business, partially offset by an increase in our Wheels, Repair & Parts and Leasing & Services segments. Manufacturing segment revenues decreased \$80.3 million which was primarily attributed to a lower volume of new railcar deliveries as compared to the prior comparable period.

There was a non-cash goodwill impairment charge of \$76.9 million for the three months ended May 31, 2013. Net loss attributable to Greenbrier for the three months ended May 31, 2013 was \$56.0 million or \$2.10 per diluted common share compared to \$19.1 million or \$0.61 per diluted common share for the three months ended May 31, 2012.

<i>(In thousands)</i>	Three Months Ended	
	May 31, 2013	May 31, 2012
Revenue:		
Manufacturing	\$ 284,591	\$ 364,930
Wheels, Repair & Parts	131,167	125,145
Leasing & Services	17,905	17,722
	433,663	507,797
Margin:		
Manufacturing	31,231	39,506
Wheels, Repair & Parts	10,691	13,535
Leasing & Services	8,097	8,897
	50,019	61,938
Less unallocated items:		
Selling and administrative expense	25,322	28,784
Net gain on disposition of equipment	(5,131)	(2,585)
Interest and foreign exchange	5,905	6,560
Goodwill impairment	76,900	
Earnings (loss) before income taxes and earnings from unconsolidated affiliates	(52,977)	29,179
Income tax expense	(2,729)	(8,655)
Earnings (loss) before earnings from unconsolidated affiliates	(55,706)	20,524
Earnings from unconsolidated affiliates	82	201
Net earnings (loss)	(55,624)	20,725
Net earnings attributable to noncontrolling interest	(406)	(1,608)
Net earnings (loss) attributable to Greenbrier	\$ (56,030)	\$ 19,117

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Diluted earnings (loss) per common share	\$ (2.10)	\$ 0.61
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Manufacturing Segment

Manufacturing revenue for the three months ended May 31, 2013 was \$284.6 million compared to \$364.9 million in the comparable period of the prior year, a decrease of \$80.3 million. Railcar unit deliveries, which are the primary source of manufacturing revenue, were approximately 2,500 units in the current period compared to approximately 4,500 units in the prior comparable period. The decrease in revenue was primarily attributed to a lower volume of deliveries as compared to the prior comparable period. These lower deliveries were a result of a change in product mix, inefficiencies with ramping up tank car production, lower than expected demand for certain of our products and lower levels of railcar syndication activity. These factors were partially offset by a higher per unit average selling price as a result of a change in product mix and an increase in marine revenue as compared to the prior comparable period.

Manufacturing margin as a percentage of revenue for the three months ended May 31, 2013 was 11.0% compared to a margin of 10.8% for the three months ended May 31, 2012. The increase in margin as a percentage of revenue was primarily attributed to a favorable change in product mix, partially offset by inefficiencies with ramping up tank car production and lower levels of railcar syndication activity.

Wheels, Repair & Parts Segment

Wheels, Repair & Parts revenue was \$131.2 million for the three months ended May 31, 2013 compared to \$125.1 million in the comparable period of the prior year. The increase of \$6.1 million was primarily attributed to a favorable change in demand and product mix for refurbishment work and the sale of excess inventory. These were partially offset by lower demand for wheel set replacements and a decrease in scrap metal pricing and volumes as compared to the prior comparable period.

Wheels, Repair & Parts margin as a percentage of revenue was 8.2% for the three months ended May 31, 2013 compared to 10.8% for the three months ended May 31, 2012. The decrease in margin as a percentage of revenue was primarily the result of a reduction in efficiencies from operating at lower wheel volumes, inefficiencies at certain underperforming facilities and a change in contracts pertaining to scrap metal dispositions. During the three months ended May 31, 2013, we recorded adjustments to certain balance sheet accounts which related to prior years activities. The adjustments related to one of our locations. We determined that those adjustments were not material to either the prior years or the three months ended May 31, 2013. The results for the three months ended May 31, 2013 include a charge of \$1.9 million within Cost of revenue in the Consolidated Statements of Operations to correct for the error. These factors were partially offset by a favorable change in parts product mix and the prior comparable period included \$0.9 million in costs associated with replacing a number of wheel sets produced at our Mexico City wheel shop which do not conform to American Association of Railroad mounting standards.

Leasing & Services Segment

Leasing & Services revenue was \$17.9 million for the three months ended May 31, 2013 compared to \$17.7 million for the comparable period of the prior year. The increase of \$0.2 million was primarily a result of an increase in management services revenue due to an increase in the number of managed railcars and a settlement on a terminated railcar lease agreement. These were partially offset by lower average volumes of rent-producing leased railcars for syndication.

Leasing & Services margin as a percentage of revenue was 45.2% for the three months ended May 31, 2013 and 50.2% for the three months ended May 31, 2012. The decrease in gross margin as a percentage of revenue was primarily attributed to lower average volumes of rent-producing leased railcars for syndication partially offset by a settlement on a terminated railcar lease agreement.

The percentage of owned units on lease as of May 31, 2013 was 97.9% compared to 95.5% at May 31, 2012.

Selling and Administrative Expense

Selling and administrative expense was \$25.3 million or 5.8% of revenue for the three months ended May 31, 2013 compared to \$28.8 million or 5.7% of revenue for the prior comparable period, a decrease of \$3.5 million. The decrease for the three months ended May 31, 2013 compared to the prior comparable period was primarily attributed to a decrease in incentive compensation costs in the current year and nonrecurring legal and audit fees in the prior year associated with the structuring of the syndication of 1,163 railcars referred to in the Variable Interest Entities footnote. Selling and administrative expense includes revenue-based fees paid to our joint venture partner in Mexico which were \$1.5 million and \$1.9 million for the three months ended May 31, 2013 and 2012.

Net gain on Disposition of Equipment

Net gain on disposition of equipment was \$5.1 million for the three months ended May 31, 2013, compared to \$2.6 million for 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 and manage risk and liquidity.

Goodwill Impairment

The results of our annual goodwill impairment test indicated that the carrying amount related to Wheels, Repair & Parts were in excess of fair value. As a result, a non-cash impairment loss was recorded to the extent that the carrying amount of the reporting unit's goodwill exceeded the implied fair value of that goodwill. A non-cash impairment charge of \$76.9 million was recorded for the three months ended May 31, 2013.

Other Costs

Interest and foreign exchange expense was comprised of the following:

<i>(In thousands)</i>	Three Months Ended		Increase (Decrease)
	May 31, 2013	May 31, 2012	
Interest and foreign exchange:			
Interest and other expense	\$ 4,983	\$ 5,679	\$ (696)
Accretion of convertible debt discount	730	817	(87)
Foreign exchange loss	192	64	128
	\$ 5,905	\$ 6,560	\$ (655)

The decrease in interest and foreign exchange expense as compared to the prior comparable period was primarily attributed to lower interest expense on lower levels of borrowing.

Income Tax

We had \$2.7 million of tax expense for the three months ended May 31, 2013 on a pre-tax loss of \$53.0 million as a result of a non-cash goodwill impairment charge of \$76.9 million that was largely nondeductible. The provision for income taxes was based on projected consolidated results of operations and geographical mix of earnings for the entire year, which resulted in an estimated 33.8% annual effective tax rate before the impact of the goodwill impairment and other discrete items. Discrete items for the quarter also included return-to-provision adjustments and certain items associated with our Mexican operations. The tax rate may fluctuate from period to period due to changes in the geographical mix of pre-tax earnings and losses and the impact of discrete items.

Noncontrolling Interest

Net earnings attributable to noncontrolling interest was \$0.4 million for the three months ended May 31, 2013 compared to \$1.6 million in the prior comparable period. These amounts primarily represent our joint venture partner's share in the results of operations of our Mexican railcar

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manufacturing joint venture, adjusted for intercompany sales. The change from the prior comparable period is primarily a result of inefficiencies with ramping up tank car production and changes in the volume of intercompany activity.

Nine Months Ended May 31, 2013 Compared to Nine Months Ended May, 2012**Overview**

Total revenue for the nine months ended May 31, 2013 was \$1.272 billion compared to revenues of \$1.364 billion in the prior comparable period. The decrease was primarily the result of lower revenues in the manufacturing segment of our business. Manufacturing segment revenues decreased \$83.8 million which was primarily attributed to a lower volume of new railcar deliveries as compared to the prior comparable period.

There was a non-cash goodwill impairment charge of \$76.9 million for the nine months ended May 31, 2013. Net loss attributable to Greenbrier for the nine months ended May 31, 2013 was \$31.8 million or \$1.20 per diluted common share compared to net income of \$51.3 million or \$1.65 per diluted common share for the nine months ended May 31, 2012.

<i>(In thousands)</i>	Nine Months Ended	
	May 31, 2013	May 31, 2012
Revenue:		
Manufacturing	\$ 864,006	\$ 947,792
Wheels, Repair & Parts	355,219	362,788
Leasing & Services	52,978	53,601
	1,272,203	1,364,181
Margin:		
Manufacturing	89,504	95,328
Wheels, Repair & Parts	30,133	38,733
Leasing & Services	26,436	25,818
	146,073	159,879
Less unallocated items:		
Selling and administrative expense	76,364	76,998
Net gain on disposition of equipment	(9,615)	(8,897)
Interest and foreign exchange	18,127	18,574
Goodwill impairment	76,900	
Earnings (loss) before income taxes and loss from unconsolidated affiliates	(15,703)	73,204
Income tax expense	(12,905)	(21,798)
Earnings (loss) before loss from unconsolidated affiliates	(28,608)	51,406
Loss from unconsolidated affiliates	(63)	(99)
Net earnings (loss)	(28,671)	51,307
Net earnings attributable to noncontrolling interest	(3,093)	(4)
Net earnings (loss) attributable to Greenbrier	\$ (31,764)	\$ 51,303
Diluted earnings (loss) per common share	\$ (1.20)	\$ 1.65

Manufacturing Segment

Manufacturing revenue for the nine months ended May 31, 2013 was \$864.0 million compared to \$947.8 million in the comparable period of the prior year, a decrease of \$83.8 million. Railcar unit deliveries, which are the primary source of manufacturing revenue, were approximately 8,100 units in the current period compared to approximately 11,500 units in the prior comparable period. The decrease in revenue was primarily attributed to a lower volume of deliveries as compared to the prior comparable period. These lower deliveries were a result of a change in product mix, inefficiencies with ramping up tank car production, lower than expected demand for certain of our products and lower levels of syndication activity. These factors were partially offset by a higher per unit average selling price as a result of a change in product mix and an increase in marine revenue as compared to the prior comparable period.

Manufacturing margin as a percentage of revenue for the nine months ended May 31, 2013 was 10.4% compared to a margin of 10.1% for the nine months ended May 31, 2012. The increase in margin as a percentage of revenue was primarily attributed to a favorable change in product mix and a marine barge, which was delivered in the current year, accounted for under the completed contract method. These factors were partially offset by inefficiencies with ramping up tank car production and lower levels of syndication activity.

Wheels, Repair & Parts Segment

Wheels, Repair & Parts revenue was \$355.2 million for the nine months ended May 31, 2013 compared to \$362.8 million in the comparable period of the prior year. The decrease of \$7.6 million was primarily attributed to lower demand for wheel set replacements as compared to the prior year and a decrease in scrap metal pricing and volume. These were partially offset by a favorable change in demand and product mix for refurbishment work.

Wheels, Repair & Parts margin as a percentage of revenue was 8.5% for the nine months ended May 31, 2013 compared to 10.7% for the nine months ended May 31, 2012. The decrease in margin as a percentage of revenue was primarily the result of inefficiencies from operating at lower wheel volumes, inefficiencies at certain underperforming facilities and a change in contracts pertaining to scrap metal dispositions. During the nine months ended May 31, 2013, we recorded adjustments to certain balance sheet accounts related to prior years' activities. The adjustments related to one of our locations. We determined that those adjustments were not material to either the prior years or the nine months ended May 31, 2013. The results for the nine months ended May 31, 2013 include a charge of \$1.9 million within Cost of revenue in the Consolidated Statements of Operations to correct for the error. These were partially offset by a favorable change in parts product mix and the prior comparable period included \$0.9 million in costs associated with replacing a number of wheel sets produced at our Mexico City wheel shop which do not conform to American Association of Railroad mounting standards.

Leasing & Services Segment

Leasing & Services revenue was \$53.0 million for the nine months ended May 31, 2013 compared to \$53.6 million for the comparable period of the prior year. The decrease of \$0.6 million was primarily attributed to lower average volumes of rent-producing leased railcars for syndication partially offset by an increase in management services revenue.

Leasing & Services margin as a percentage of revenue was 49.9% for the nine months ended May 31, 2013 and 48.2% for the nine months ended May 31, 2012. The increase in margin as a percentage of revenue was primarily the result of a reduction in the maintenance accrual on terminated maintenance management agreements and a settlement on a terminated railcar lease agreement. These were partially offset by lower average volumes of rent-producing leased railcars for syndication.

Selling and Administrative Expense

Selling and administrative expense was \$76.4 million or 6.0% of revenue for the nine months ended May 31, 2013 compared to \$77.0 million or 5.6% of revenue for the prior comparable period, a decrease of \$0.6 million. The decrease for the nine months ended May 31, 2013 compared to the prior comparable period primarily related to decrease in incentive compensation costs. Selling and administrative expense includes revenue-based fees paid to our joint venture partner in Mexico which were \$4.1 million and \$4.4 million for the nine months ended May 31, 2013 and 2012.

Net gain on Disposition of Equipment

Net gain on disposition of equipment was \$9.6 million for the nine months ended May 31, 2013, compared to \$8.9 million for 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 and manage risk and liquidity.

The current year's gain primarily included \$7.7 million in gains realized on the disposition of leased assets, a \$0.6 million other gain and a \$1.3 million loss related to the sale of certain assets from our roller bearing operation in Elizabethtown, Kentucky. All of the prior year's gain was realized on the disposition of leased assets.

Goodwill Impairment

The results of our annual goodwill impairment test indicated that the carrying amount related to Wheels, Repair & Parts were in excess of fair value. As a result, a non-cash impairment loss was recorded to the extent that the carrying amount of the reporting unit's goodwill exceeded the implied fair value of that goodwill. A non-cash impairment charge of \$76.9 million was recorded for the nine months ended May 31, 2013.

Other Costs

Interest and foreign exchange expense was comprised of the following:

<i>(In thousands)</i>	Nine Months Ended		Increase (Decrease)
	May 31, 2013	May 31, 2012	
Interest and foreign exchange:			
Interest and other expense	\$ 14,479	\$ 16,828	\$ (2,349)
Accretion of convertible debt discount	2,455	2,416	39
Foreign exchange (gain) loss	1,193	(670)	1,863
	\$ 18,127	\$ 18,574	\$ (447)

The decrease in interest and foreign exchange expense as compared to the prior comparable period was primarily attributed to lower interest expense on lower levels of borrowing and from the reversal of interest accruals associated with uncertain tax positions that expired during the year. This was partially offset by a foreign exchange gain in the prior year and a foreign exchange loss in the current year.

Income Tax

We had \$12.9 million of tax expense for the nine months ended May 31, 2013 on a pre-tax loss of \$15.7 million as a result of a non-cash goodwill impairment charge of \$76.9 million that was largely nondeductible. The provision for income taxes was based on projected consolidated results of operations and geographical mix of earnings for the entire year, which resulted in an estimated 33.8% annual effective tax rate before the impact of the goodwill impairment and other discrete items. Discrete items for the nine months also included the reversal of uncertain tax positions, return-to-provision adjustments and certain items associated with our Mexican operations. The tax rate may fluctuate from period to period due to changes in the geographical mix of pre-tax earnings and losses and the impact of discrete items.

Noncontrolling Interest

Net earnings attributable to noncontrolling interest was \$3.1 million for the nine months ended May 31, 2013 compared to a negligible amount in the prior comparable period. These amounts primarily represent our joint venture partner's share in the results of operations of our Mexican railcar manufacturing joint venture, adjusted for intercompany sales. The change from the prior comparable period is primarily a result of increased sales to third parties and lower intercompany activity in the current period.

Liquidity and Capital Resources

<i>(In thousands)</i>	Nine Months Ended	
	May 31, 2013	May 31, 2012
Net cash provided by operating activities	\$ 19,237	\$ 53,633
Net cash used in investing activities	(17,293)	(43,349)
Net cash used in financing activities	(22,303)	(16,491)
Effect of exchange rate changes	(1,606)	900
Net decrease in cash and cash equivalents	\$ (21,965)	\$ (5,307)

We have been financed through cash generated from operations, borrowings and issuance of stock. At May 31, 2013, cash and cash equivalents were \$31.6 million, a decrease of \$22.0 million from \$53.6 million at August 31, 2012.

Cash provided by operating activities was \$19.2 million for the nine months ended May 31, 2013 compared to \$53.6 million for the nine months ended May 31, 2012. The change from the prior year was primarily due to a change in the timing of working capital needs and timing of sales of leased railcars for syndication.

Cash used in investing activities, primarily for capital expenditures, was \$17.3 million for the nine months ended May 31, 2013 compared to \$43.3 million in the prior comparable period.

Capital expenditures totaled \$49.7 million for the nine months ended May 31, 2013 and \$72.1 million for the nine months ended May 31, 2012. Of these capital expenditures, approximately \$15.6 million and \$42.5 million were attributable to Leasing & Services operations. Leasing & Services capital expenditures for 2013 are expected to be approximately \$16.0 million. Proceeds from sales of leased railcar equipment are expected to be approximately \$37.0 million for 2013. We regularly sell assets from our lease fleet. Proceeds from sales of leased railcar equipment were \$36.5 million for the nine months ended May 31, 2013 and \$33.3 million in the comparable prior period.

Approximately \$28.2 million and \$21.4 million of capital expenditures for the nine months ended May 31, 2013 and the comparable prior period were attributable to Manufacturing operations. Capital expenditures for Manufacturing operations are expected to be approximately \$39.0 million in 2013, which includes \$5.0 million to be paid by our joint venture partner in Mexico. These capital expenditures primarily relate to enhancements to existing manufacturing facilities and the addition of new production lines.

Wheels, Repair & Parts capital expenditures for the nine months ended May 31, 2013 and the comparable prior period were \$5.9 million and \$8.2 million. Capital expenditures are expected to be approximately \$7.0 million in 2013 for improvement of existing facilities.

Cash used in financing activities was \$22.3 million for the nine months ended May 31, 2013 compared to \$16.5 million for the nine months ended May 31, 2012. During the nine months ended May 31, 2013, \$25.6 million was utilized in net debt activity. During the nine months ended May 31, 2012, \$19.6 million was utilized in net debt activity.

In May 2013, we retired \$52.9 million of our \$67.8 million outstanding Convertible senior notes (Notes), due 2026. As of May 31, 2013, the remaining principal balance of the Notes was \$14.9 million.

Senior secured credit facilities, consisting of three components, aggregated to \$358.5 million as of May 31, 2013.

Available borrowings under our credit facilities are generally limited by defined levels of inventory, receivables, property, plant and equipment and leased equipment, as well as total debt to consolidated capitalization and interest coverage ratios. We had an aggregate of \$258.7 million available to draw down under the committed credit facilities as of May 31, 2013. This amount consisted of \$240.2 million available on the North American credit facility and \$18.5 million on the European credit facilities as of May 31, 2013.

As of May 31, 2013 a \$290.0 million revolving line of credit secured by substantially all of our assets in the U.S. not otherwise pledged as security for term loans, maturing June 2016, was available to provide working capital and interim financing of equipment, principally for the U.S. and Mexican operations. Advances under this facility bear interest at LIBOR plus 2.25% and Prime plus 1.25% depending on the type of borrowing. Available borrowings under the credit facility are generally based on defined levels of inventory, receivables, property, plant and equipment and leased equipment, as well as total debt to consolidated capitalization and fixed charges coverage ratios.

As of May 31, 2013 lines of credit totaling \$18.5 million secured by certain of our European assets, with various variable rates that range from Warsaw Interbank Offered Rate (WIBOR) plus 1.3% to WIBOR plus 1.5%, were available for working capital needs of the European manufacturing operation. European credit facilities are continually being renewed. Currently these European credit facilities have maturities that range from December 2013 through June 2015.

As of May 31, 2013 our Mexican joint venture had two lines of credit totaling \$50.0 million. The first line of credit provides up to \$20.0 million and is secured by certain of the joint venture's accounts receivable and inventory. Advances under this facility bear interest at LIBOR plus 2.5%. The Mexican joint venture will be able to draw amounts available under this facility through December 2013. The second line of credit provides up to \$30.0 million and is fully guaranteed by each of the joint venture partners, including our Company. Advances under this facility bear interest at LIBOR plus 2.0%. The Mexican joint venture will be able to draw against this facility through February 2015.

As of May 31, 2013, outstanding borrowings under the senior secured credit facilities consisted of \$6.8 million in letters of credit and \$43.0 million in revolving notes outstanding under the North American credit facility and \$50.0 million outstanding under the Mexican joint venture credit facilities.

The revolving and operating lines of credit, along with notes payable, contain covenants with respect to us and our various subsidiaries, the most restrictive of which, among other things, limit our ability to: incur additional indebtedness or guarantees; pay dividends or repurchase stock; enter into sale leaseback transactions; create liens; sell assets; engage in transactions with affiliates, 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 our assets; and enter into new lines of business. The covenants also require certain maximum ratios of debt to total capitalization and minimum levels of fixed charges (interest plus rent) coverage.

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

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

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

As of May 31, 2013, the Mexican joint venture had \$50.2 million of third party debt, of which we have guaranteed approximately \$40.1 million. In addition, we, along with our joint venture partner, have committed to contributing \$10.0 million to fund capital expenditures to expand production capacity, of which we and our joint venture partner will each contribute 50%. These amounts will be contributed at various intervals from May 31, 2012 to October 31, 2013. As of May 31, 2013, we and our joint venture partner have each contributed \$3.9 million.

In accordance with customary business practices in Europe, we have \$1.8 million in bank and third party warranty and performance guarantee facilities as of May 31, 2013. To date no amounts have been drawn under these guarantee facilities.

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

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.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risk

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. At May 31, 2013, \$58.9 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.

In addition to exposure to transaction gains or losses, we are also exposed to foreign currency exchange risk related to the net asset position of our foreign subsidiaries. At May 31, 2013, net assets of foreign subsidiaries aggregated \$47.6 million and a 10% strengthening of the United States dollar relative to the foreign currencies would result in a decrease in equity of \$4.8 million, or 1.2% of Total equity - Greenbrier. This calculation assumes that each exchange rate would change in the same direction relative to the United States dollar.

Interest Rate Risk

We have managed a portion of our variable rate debt with interest rate swap agreements, effectively converting \$41.9 million of variable rate debt to fixed rate debt. As a result, we are exposed to interest rate risk relating to our revolving debt and a portion of term debt, which are at variable rates. At May 31, 2013, 66% of our outstanding debt had fixed rates and 34% had variable rates. At May 31, 2013, a uniform 10% increase in variable interest rates would result in approximately \$0.4 million of additional annual interest expense.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended May 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There is hereby incorporated by reference the information disclosed in Note 15 to Consolidated Financial Statements, Part I of this quarterly report.

Item 1A. Risk Factors

This Form 10-Q should be read in conjunction with the risk factors and information disclosed in our Annual Report on Form 10-K for the year ended August 31, 2012. There have been no material changes in the risk factors described in our Annual Report on Form 10-K for the year ended August 31, 2012.

Item 6. Exhibits

(a) List of Exhibits:

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

31.2 Certification pursuant to Rule 13a-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.

101 The following financial information from the Company's Quarterly Report on Form 10-Q for the period ended May 31, 2013, formatted in XBRL (eXtensible Business Reporting Language) and furnished electronically herewith: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) Consolidated Statements of Comprehensive Income (Loss) (iv) the Consolidated Statements of Equity (v) the Consolidated Statements of Cash Flows; (vi) the Notes to Condensed Consolidated Financial Statements.

THE GREENBRIER COMPANIES, INC.

SIGNATURES

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

THE GREENBRIER COMPANIES, INC.

Date: July 3, 2013

By: /s/ Mark J. Rittenbaum
Mark J. Rittenbaum
Executive Vice President and

Chief Financial Officer

(Principal Financial Officer)

Date: July 3, 2013

By: /s/ Adrian J. Downes
Adrian J. Downes
Senior Vice President and

Chief Accounting Officer

(Principal Accounting Officer)