

GENESEE & WYOMING INC  
Form 10-Q  
November 06, 2009  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended September 30, 2009**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File No. 001-31456**

**GENESEE & WYOMING INC.**

*(Exact name of registrant as specified in its charter)*

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<p><b>Delaware</b>  <i>(State or other jurisdiction of  incorporation or organization)</i></p> <p><b>66 Field Point Road,</b>    <b>Greenwich, Connecticut</b>  <i>(Address of principal executive offices)</i></p>	<p><b>06-0984624</b>  <i>(I.R.S. Employer  Identification No.)</i></p> <p><b>06830</b>  <i>(Zip Code)</i></p>
<p><b>(203) 629-3722</b>    <i>(Registrant's telephone number, including area code)</i></p>	

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 or posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) 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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller Reporting Company	<input type="checkbox"/>

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):    ☐ YES    ☒ NO

Shares of common stock outstanding as of the close of business on October 30, 2009:

Class	Number of Shares Outstanding
Class A Common Stock	38,431,145
Class B Common Stock	2,558,790

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**Table of Contents****GENESEE & WYOMING INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****AS OF SEPTEMBER 30, 2009 and DECEMBER 31, 2008****(in thousands, except share amounts)****(Unaudited)**

	<b>September 30, 2009</b>	<b>December 31, 2008</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 96,018	\$ 31,693
Accounts receivable, net	111,918	120,874
Materials and supplies	8,145	7,708
Prepaid expenses and other	10,948	12,270
Current assets of discontinued operations	738	1,676
Deferred income tax assets, net	18,161	18,101
<b>Total current assets</b>	<b>245,928</b>	<b>192,322</b>
PROPERTY AND EQUIPMENT, net	1,004,624	998,995
INVESTMENT IN UNCONSOLIDATED AFFILIATES	1,639	4,986
GOODWILL	161,403	150,958
INTANGIBLE ASSETS, net	246,300	223,442
DEFERRED INCOME TAX ASSETS, net	3,206	
OTHER ASSETS, net	16,535	16,578
<b>Total assets</b>	<b>\$ 1,679,635</b>	<b>\$ 1,587,281</b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt	\$ 27,361	\$ 26,034
Accounts payable	116,115	124,162
Accrued expenses	41,983	37,903
Current liabilities of discontinued operations	22	1,121
Deferred income tax liabilities, net		192
<b>Total current liabilities</b>	<b>185,481</b>	<b>189,412</b>
LONG-TERM DEBT, less current portion	428,398	535,231
DEFERRED INCOME TAX LIABILITIES, net	241,733	234,979
DEFERRED ITEMS - grants from outside parties	134,503	113,302
OTHER LONG-TERM LIABILITIES	24,334	34,943
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>EQUITY:</b>		
Class A Common Stock, \$0.01 par value, one vote per share; 90,000,000 shares authorized; 50,839,211 and 45,830,569 shares issued and 38,428,905 and 33,435,168 shares outstanding (net of 12,410,306 and 12,395,401 shares in treasury) on September 30, 2009 and December 31, 2008, respectively	508	458
Class B Common Stock, \$0.01 par value, ten votes per share; 15,000,000 shares authorized; 2,558,790 and 2,585,152 shares issued and outstanding on September 30, 2009 and December 31, 2008, respectively	26	26

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Additional paid-in capital	328,310	214,356
Retained earnings	522,621	479,598
Accumulated other comprehensive income/(loss)	16,497	(14,033)
Treasury stock, at cost	(202,776)	(202,342)
Total Genesee & Wyoming Inc. stockholders' equity	665,186	478,063
Noncontrolling interest		1,351
Total equity	665,186	479,414
Total liabilities and equity	\$ 1,679,635	\$ 1,587,281

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

**Table of Contents****GENESEE & WYOMING INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009 and 2008****(dollars in thousands, except per share amounts)****(Unaudited)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>OPERATING REVENUES</b>	<b>\$ 136,446</b>	<b>\$ 159,432</b>	<b>\$ 404,959</b>	<b>\$ 452,828</b>
<b>OPERATING EXPENSES:</b>				
Transportation	41,430	51,897	124,501	152,629
Maintenance of ways and structures	12,811	12,535	39,580	38,698
Maintenance of equipment	16,201	18,084	49,704	53,954
Diesel fuel sold to third parties	3,603	9,947	10,096	28,893
General and administrative	21,784	23,369	69,860	68,452
Net loss/(gain) on sale and impairment of assets	96	(1,185)	4,746	(3,817)
Gain on insurance recoveries	(2,644)		(3,144)	(399)
Restructuring and related charges			2,288	
Depreciation and amortization	12,050	10,219	35,473	28,871
Total operating expenses	105,331	124,866	333,104	367,281
<b>INCOME FROM OPERATIONS</b>	<b>31,115</b>	<b>34,566</b>	<b>71,855</b>	<b>85,547</b>
Gain on sale of investment in Bolivia	427		427	
Interest income	252	597	677	1,753
Interest expense	(6,376)	(4,250)	(20,650)	(12,203)
Other income/(expense), net	665	(99)	1,909	560
Income from continuing operations before income taxes	26,083	30,814	54,218	75,657
Provision for income taxes	6,361	10,686	12,397	28,082
Income from continuing operations, net of tax	19,722	20,128	41,821	47,575
Income/(loss) from discontinued operations, net of tax	2,017	1,087	1,348	(487)
Net income	21,739	21,215	43,169	47,088
Less: Net income attributable to noncontrolling interest	(78)	(61)	(146)	(146)
Net income attributable to Genesee & Wyoming Inc.	\$ 21,661	\$ 21,154	\$ 43,023	\$ 46,942
Basic earnings per common share attributable to Genesee & Wyoming Inc. common stockholders:				
Basic earnings per common share from continuing operations	\$ 0.51	\$ 0.63	\$ 1.18	\$ 1.49
Basic earnings/(loss) per common share from discontinued operations	0.05	0.03	0.04	(0.02)
Basic earnings per common share	\$ 0.56	\$ 0.66	\$ 1.22	\$ 1.48
Weighted average shares - Basic	38,388	32,018	35,328	31,758

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Diluted earnings per common share attributable to Genesee & Wyoming Inc. common stockholders:

Diluted earnings per common share from continuing operations	\$	0.48	\$	0.55	\$	1.09	\$	1.31
Diluted earnings/(loss) per common share from discontinued operations		0.05		0.03		0.04		(0.01)
Diluted earnings per common share	\$	0.53	\$	0.58	\$	1.13	\$	1.29
Weighted average shares - Diluted		41,183		36,592		38,163		36,334

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

**Table of Contents****GENESEE & WYOMING INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 and 2008****(dollars in thousands)****(Unaudited)**

	<b>Nine Months Ended September 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 43,169	\$ 47,088
Adjustments to reconcile net income to net cash provided by operating activities:		
(Income)/Loss from discontinued operations	(1,348)	487
Depreciation and amortization	35,473	28,871
Compensation cost related to equity awards	4,227	4,163
Excess tax benefit from share-based compensation	(1,173)	(1,830)
Deferred income taxes	890	7,549
Net loss/(gain) on sale and impairment of assets	4,746	(3,817)
Gain on sale of investment in Bolivia	(427)	
Gain on insurance recoveries	(3,144)	(399)
Insurance proceeds received	2,175	
Changes in assets and liabilities which provided (used) cash, net of effect of acquisitions:		
Accounts receivable trade, net	9,481	(13,089)
Materials and supplies	514	(662)
Prepaid expenses and other	1,595	8,968
Accounts payable and accrued expenses	(7,269)	12,356
Other assets and liabilities, net	(523)	3,972
Net cash provided by operating activities from continuing operations	88,386	93,657
Net cash used in operating activities from discontinued operations	(275)	(2,815)
Net cash provided by operating activities	88,111	90,842
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(59,977)	(61,999)
Grant proceeds from outside parties	16,530	21,832
Cash paid for acquisitions, net of cash acquired	(5,780)	(115,699)
Insurance proceeds for the replacement of assets	3,996	419
Proceeds from sale of investment in Bolivia	3,771	
Proceeds from disposition of property and equipment	6,196	6,992
Net cash used in investing activities from continuing operations	(35,264)	(148,455)
Net cash provided by investing activities from discontinued operations	1,774	
Net cash used in investing activities	(33,490)	(148,455)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on long-term borrowings, including capital leases	(207,221)	(117,905)
Proceeds from issuance of long-term debt	98,000	163,000
Net proceeds from employee stock purchases	5,307	9,122



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Treasury stock purchases	(434)	(2,355)
Stock issuance proceeds, net of stock issuance costs	106,641	
Excess tax benefit from share-based compensation	1,173	1,830
Net cash provided by financing activities	3,466	53,692
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	6,130	(2,907)
CHANGE IN CASH BALANCES INCLUDED IN CURRENT ASSETS OF DISCONTINUED OPERATIONS	108	(348)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	64,325	(7,176)
CASH AND CASH EQUIVALENTS, beginning of period	31,693	46,684
CASH AND CASH EQUIVALENTS, end of period	\$ 96,018	\$ 39,508

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

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**GENESEE & WYOMING INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**1. PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION:**

The interim consolidated financial statements presented herein include the accounts of Genesee & Wyoming Inc. and its subsidiaries (the Company). All references to currency amounts included in this Quarterly Report on Form 10-Q, including the consolidated financial statements, are in United States dollars unless specifically noted otherwise. All significant intercompany transactions and accounts have been eliminated in consolidation. These interim consolidated financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and, accordingly, do not contain all disclosures which would be required in a full set of financial statements in accordance with accounting principles generally accepted in the United States of America (United States GAAP). In the opinion of management, the unaudited financial statements for the three and nine months ended September 30, 2009 and 2008, are presented on a basis consistent with the audited financial statements (except as described below) and contain all adjustments, consisting only of normal recurring adjustments, necessary to provide a fair statement of the results for interim periods. The results of operations for interim periods are not necessarily indicative of results of operations for the full year. The consolidated balance sheet data for 2008 was derived from the audited financial statements in the Company's 2008 Annual Report on Form 10-K (except as described below) but does not include all disclosures required by United States GAAP.

The interim consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2008, included in the Company's 2008 Annual Report on Form 10-K. Certain prior period balances have been reclassified to conform to the 2009 presentation.

On January 1, 2009, the Company adopted new accounting guidance that changed the accounting treatment for noncontrolling (minority) interests. The guidance requires the reporting of noncontrolling (minority) interests as a component of equity, separately identifying net income attributable to the parent and noncontrolling interest in the income statement, accounting for changes in a parent's ownership interest while it retains a controlling interest as equity transactions and initially measuring at fair value any retained noncontrolling equity investment upon the deconsolidation of a subsidiary. The Company's subsidiary, Maryland Midland Railway, Inc. (Maryland Midland), had a 12.6% noncontrolling minority interest holder. In September 2009, as a result of the exercise of a pre-existing option by the noncontrolling interest holder, the Company recorded an obligation to purchase the 12.6% interest in Maryland Midland for \$4.4 million.

Upon adoption of the accounting guidance, the Company reclassified \$1.4 million from minority interest to noncontrolling interest in equity in the consolidated balance sheets. Additionally, income attributable to the noncontrolling interest was reclassified from other income and presented separately in the consolidated income statements. While a reconciliation of equity from the beginning of the current fiscal year to the balance sheet date, as well as for the comparative periods presented in each quarterly and annual filing is required, the Company did not present an equity reconciliation in the consolidated statements as the noncontrolling interest was not material to the Company.

**2. CHANGES IN OPERATIONS:**

***Canada***

*Huron Central Railway Inc:* In the second quarter of 2009, the Company recorded charges of \$5.4 million after-tax, reflecting a non-cash write-down of non-current assets of \$6.7 million as well as restructuring and related charges of \$2.3 million associated with the Company's subsidiary, Huron Central Railway Inc. (HCRY), partially offset by tax benefits totaling \$3.6 million. The recession had caused HCRY's traffic to decline substantially over the previous 12 months, to the point that the railroad was not economically viable to operate for the long term. Effective August 15, 2009, HCRY entered into an agreement to continue to operate the line through August 14, 2010. This agreement resulted in no material changes to the previous accounting charges related to HCRY. However, the Company does not expect to make any significant cash payments related to these restructuring and related charges until the third quarter of 2010. The Company did not incur any additional restructuring charges related to HCRY in the third quarter of 2009.

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### **GENESEE & WYOMING INC. AND SUBSIDIARIES**

#### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Unaudited)**

#### ***United States***

*Ohio Central Railroad System:* On October 1, 2008, the Company acquired 100% of the equity interests of Summit View, Inc. (Summit View), the parent company of 10 short line railroads known as the Ohio Central Railroad System (OCR) for cash consideration of approximately \$212.6 million (net of \$2.8 million cash acquired). An additional \$4.8 million was paid to the seller in the first quarter of 2009 to reflect adjustments for final working capital. In addition, the Company placed \$7.5 million of contingent consideration into escrow at the acquisition date. This amount was accrued and recorded as an additional cost of the acquisition at September 30, 2009, and was paid to the seller on October 1, 2009, due to the satisfaction of certain conditions. The Company has included 100% of the value of OCR's net assets in its consolidated balance sheet since October 1, 2008.

*Georgia Southwestern Railroad, Inc.:* On October 1, 2008, the Company acquired 100% of Georgia Southwestern, Inc. (Georgia Southwestern) for cash consideration of approximately \$16.5 million (net of \$0.4 million cash acquired). An additional \$0.2 million was paid to the seller in the fourth quarter of 2008 to reflect adjustments for final working capital. The Company has included 100% of the value of Georgia Southwestern's net assets in its consolidated balance sheet since October 1, 2008.

*CAGY Industries, Inc.:* On May 30, 2008, the Company acquired 100% of CAGY Industries, Inc. (CAGY) for cash consideration of approximately \$71.9 million (net of \$17.2 million cash acquired). An additional \$2.9 million of purchase price was recorded in the second quarter of 2008 to reflect adjustments for final working capital. During the third quarter of 2008, the Company also paid to the seller contingent consideration of \$15.1 million due to the satisfaction of certain conditions. In addition, the Company agreed to pay contingent consideration to the seller of up to \$3.5 million upon satisfaction of certain conditions by May 30, 2010, which will be recorded as additional cost of the acquisition in the event the contingency is satisfied. The Company has included 100% of the value of CAGY's net assets in its consolidated balance sheet since May 30, 2008. As a result of the unanticipated non-renewal of an acquired lease, the Company recorded a \$0.7 million non-cash write-down of non-current assets in the three months ended September 30, 2009.

#### ***Netherlands***

*Rotterdam Rail Feeding B.V.:* On April 8, 2008, the Company acquired 100% of Rotterdam Rail Feeding B.V. (RRF) for cash consideration of approximately \$22.6 million. In addition, the Company agreed to pay to the seller contingent consideration of up to 1.8 million (or approximately \$2.5 million), of which 0.8 million (or \$1.0 million) was accrued and recorded as additional cost of the acquisition at December 31, 2008, and was paid in the first quarter of 2009. In the event the contingencies are satisfied, the remaining 1.0 million (or \$1.5 million at the September 30, 2009 exchange rate) will be paid to the seller over the next two years and will be recorded as additional cost of the acquisition. The Company has included 100% of the value of RRF's net assets in its consolidated balance sheet since April 8, 2008.

#### ***South America***

On September 29, 2009, in conjunction with its partner UniRail LLC (UniRail), the Company sold substantially all of its interests in Ferroviaria Oriental S.A. (Oriental), which is located in Eastern Bolivia. The Company recorded a net gain on the sale of its investment in Bolivia of \$0.4 million in the three months ended September 30, 2009. The Company's portion of the sale proceeds totaled \$3.9 million, against which it applied the remaining net book value of \$3.4 million and direct costs of the sale of \$0.1 million.

#### ***Purchase Price Allocation***

The allocation of purchase price to the assets acquired and liabilities assumed for CAGY and RRF was finalized during the fourth quarter of 2008. The allocation of purchase price to the assets acquired and liabilities assumed for OCR and Georgia Southwestern was finalized during the third quarter of 2009. During the nine months ended September 30, 2009, the Company made the following adjustments to its initial allocation of purchase price for OCR based on the completion of its fair value analysis and \$7.9 million of additional purchase price recorded in 2009 related to contingent consideration and working capital adjustments: \$33.2 million decrease in property and equipment, \$27.8 million increase in intangible assets, \$7.8 million increase in goodwill, a decrease in other long-term liabilities of \$4.7 million and a net decrease in all other net

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assets of \$0.8 million. During the nine months ended September 30, 2009, there were no material adjustments made to the initial allocation of purchase price for Georgia Southwestern.

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The following table summarizes the final purchase price allocations for the OCR and Georgia Southwestern acquisitions as of September 30, 2009 (dollars in thousands):

	<b>OCR</b>	<b>Georgia Southwestern</b>
<b>Purchase Price Allocations:</b>		
Cash	\$ 2,757	\$ 325
Other current assets	6,906	835
Property and equipment	190,963	23,410
Intangible assets	60,329	
Goodwill	67,026	5,415
Other assets	569	
 Total assets	 328,550	 29,985
 Current liabilities	 4,377	 970
Long-term debt, including current portion	12,793	5,317
Deferred tax liabilities, net	83,247	6,643
Other long-term liabilities	300	
 Total liabilities	 100,717	 12,930
 Net assets	 \$ 227,833	 \$ 17,055
 <b>Intangible Assets:</b>		
Track access agreements	\$ 60,329	\$
Amortization period	44 Years	

The deferred tax liabilities in the purchase price allocations are primarily driven by differences between values assigned to non-current assets and the acquired tax basis in those assets. The amounts assigned to goodwill in the purchase price allocations will not be deductible for tax purposes.

***Discontinued Operations***

In August of 2009, the Company completed the sale of 100% of the share capital of Ferrocarriles Chiapas-Mayab, S.A. de C.V. (FCCM) to Viablis, S.A. de C.V. (Viablis) for a net sale price of \$2.2 million, including the deposit of \$0.5 million received in November 2008. Accordingly, the Company recorded a net gain of \$2.2 million on the sale within discontinued operations. The Company does not expect any material adverse financial impact from its remaining Mexican subsidiary, GW Servicios S.A. (Servicios). See Note 11 for additional information regarding the Company's discontinued operations.

***Results of Continuing Operations***

When comparing the Company's results of continuing operations from one reporting period to another, you should consider that the Company has historically experienced fluctuations in revenues and expenses due to economic conditions, acquisitions, competitive forces, one-time freight moves, customer plant expansions and shut-downs, sales of property and equipment, derailments and weather related conditions such as hurricanes, droughts, heavy snowfall, freezing and flooding. In periods when these events occur, results of operations are not easily comparable

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from one period to another. Finally, certain of the Company's railroads have commodity shipments that are sensitive to general economic conditions, including steel products, paper products and lumber and forest products. However, shipments of other commodities are relatively less affected by economic conditions and are more closely affected by other factors, such as inventory levels maintained at a customer power plant (coal), winter weather (salt) and seasonal rainfall (South Australian grain). As a result of these and other factors, the Company's operating results in any reporting period may not be directly comparable to its operating results in other reporting periods.

**Table of Contents****GENESEE & WYOMING INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)*****Pro Forma Financial Results***

The following table summarizes the Company's unaudited pro forma operating results for the three and nine months ended September 30, 2008, as if the CAGY and OCR acquisitions were consummated at the beginning of the year 2008. The following pro forma combined financial statements do not include adjustments for any potential operating efficiencies, cost savings from expected synergies, the impact of conforming to the Company's accounting policies or the impact of derivative instruments that the Company may elect to use to mitigate interest rate risk with the incremental borrowings used to fund the acquisitions (dollars in thousands, except per share amounts):

	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2008
Operating revenues	\$ 178,238	\$ 511,306
Net income attributable to Genesee & Wyoming Inc.	\$ 15,456	\$ 39,788
Earnings per common share attributable to Genesee & Wyoming Inc. common stockholders:		
Basic earnings per common share from continuing operations	\$ 0.48	\$ 1.25
Diluted earnings per common share from continuing operations	\$ 0.42	\$ 1.10

The unaudited pro forma operating results for the three months ended September 30, 2008, include the acquisition of OCR adjusted, net of tax, for depreciation and amortization expense resulting from the property and equipment and intangible assets based on assigned values and the inclusion of interest expense related to borrowings used to fund the acquisition. The unaudited pro forma operating results for the nine months ended September 30, 2008, include the acquisitions of OCR and CAGY adjusted, net of tax, for depreciation and amortization expense resulting from the property and equipment and intangible assets based on assigned values and the inclusion of interest expense related to borrowings used to fund the acquisitions.

In addition, CAGY's results for the nine months ended September 30, 2008, reflected in these pro forma operating results, include certain senior management compensation that the Company does not believe would have continued in future periods but which does not qualify for elimination under the treatment and presentation of pro forma financial results. OCR's operating expenses for the three and nine months ended September 30, 2008, included certain corporate administrative and other costs that the Company does not believe would have continued as ongoing expenses, but do not qualify for elimination under the treatment and presentation of pro forma results.

The pro forma financial information does not purport to be indicative of the results that actually would have been obtained had the transactions been completed as of the assumed dates and for the periods presented and are not intended to be a projection of future results or trends.

**Table of Contents****GENESEE & WYOMING INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****3. EARNINGS PER SHARE:**

The following table sets forth the computation of basic and diluted earnings per share (EPS) (in thousands, except per share amounts):

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Numerator:</b>				
Amounts attributable to Genesee & Wyoming Inc. common stockholders:				
Income from continuing operations, net of tax	\$ 19,644	\$ 20,067	\$ 41,675	\$ 47,429
Income/(Loss) from discontinued operations, net of tax	2,017	1,087	1,348	(487)
<b>Net income</b>	<b>\$ 21,661</b>	<b>\$ 21,154</b>	<b>\$ 43,023</b>	<b>\$ 46,942</b>
<b>Denominators:</b>				
Weighted average Class A common shares outstanding - Basic	38,388	32,018	35,328	31,758
Weighted average Class B common shares outstanding	2,559	3,975	2,564	3,975
Dilutive effect of employee stock grants	236	599	271	601
<b>Weighted average shares - Diluted</b>	<b>41,183</b>	<b>36,592</b>	<b>38,163</b>	<b>36,334</b>
<b>Earnings per common share attributable to Genesee &amp; Wyoming Inc. common stockholders:</b>				
<b>Basic:</b>				
Earnings per common share from continuing operations	\$ 0.51	\$ 0.63	\$ 1.18	\$ 1.49
Earnings/(Loss) per common share from discontinued operations	0.05	0.03	0.04	(0.02)
<b>Earnings per common share</b>	<b>\$ 0.56</b>	<b>\$ 0.66</b>	<b>\$ 1.22</b>	<b>\$ 1.48</b>
<b>Diluted:</b>				
Earnings per common share from continuing operations	\$ 0.48	\$ 0.55	\$ 1.09	\$ 1.31
Earnings/(Loss) per common share from discontinued operations	0.05	0.03	0.04	(0.01)
<b>Earnings per common share</b>	<b>\$ 0.53</b>	<b>\$ 0.58</b>	<b>\$ 1.13</b>	<b>\$ 1.29</b>

For the three months ended September 30, 2009 and 2008, a total of 1,616,570 and 4,818 shares, respectively, and for the nine months ended September 30, 2009 and 2008, a total of 1,613,494 and 389,413 shares, respectively, of Class A common stock issuable under the assumed exercises of stock options computed based on the treasury stock method, were excluded from the calculation of diluted earnings per common share, as the effect of including these shares would have been anti-dilutive, because the exercise prices for those stock options exceeded the average market price for the Company's common stock for the respective period.

***Stock Offering***



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On June 15, 2009, the Company completed a public offering of 4,600,000 shares of its Class A common stock at \$24.50 per share, which included 600,000 shares of its Class A common stock issued as a result of the underwriters' exercise of their over-allotment option. The Company received net proceeds of \$106.6 million from the sale of its Class A common stock. The Company used a portion of the proceeds along with cash on hand to repay \$108.0 million of its revolving credit facility, which represented the entire balance then outstanding. As of September 30, 2009, the Company's \$300.0 million revolving credit facility, which matures in 2013, had unused borrowing capacity of \$299.9 million and outstanding letter of credit guarantees of \$0.1 million. The Company intends to use its cash on hand and unused borrowing capacity for general corporate purposes, including strategic investments and acquisitions.

**Table of Contents****GENESEE & WYOMING INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****4. ACCOUNTS RECEIVABLE:**

Accounts receivable consisted of the following as of September 30, 2009 and December 31, 2008 (dollars in thousands):

	September 30, 2009	December 31, 2008
Accounts receivable - trade	\$ 103,098	\$ 114,631
Accounts receivable - grants	12,202	9,150
<b>Total accounts receivable</b>	<b>115,300</b>	<b>123,781</b>
Less: allowance for doubtful accounts	(3,382)	(2,907)
<b>Accounts receivable, net</b>	<b>\$ 111,918</b>	<b>\$ 120,874</b>

**5. FAIR VALUE OF FINANCIAL INSTRUMENTS:**

The Company applies the following three-level hierarchy of valuation inputs as a framework for measuring fair value:

Level 1 Quoted prices for identical assets or liabilities in active markets that the Company has the ability to access at the measurement date.

Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations in which all significant inputs are observable market data.

Level 3 Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument held by the Company: