

GREENBRIER COMPANIES INC
Form DEF 14A
November 23, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

The Greenbrier Companies, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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- (1) Amount Previously Paid:

- (2) Form, Schedule or Registration Statement No.:

- (3) Filing Party:

- (4) Date Filed:

One Centerpointe Drive
Suite 200
Lake Oswego, Oregon 97035

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

January 6, 2012

To Our Shareholders:

The Annual Meeting of Shareholders of The Greenbrier Companies, Inc. (the Company, we, us, and our) will be held beginning at 2:00 p.m. on Friday, January 6, 2012 at the Benson Hotel, 309 SW Broadway, Portland, Oregon for the following purposes:

1. Electing three directors of the Company;
2. Obtaining an advisory vote on the compensation of the Company's named executive officers as disclosed in this proxy statement in accordance with the rules of the Securities and Exchange Commission (the SEC);
3. Obtaining an advisory vote on the desired frequency of future votes on the compensation of the Company's named executive officers as disclosed in this proxy statement in accordance with the rules of the SEC;
4. Ratifying the appointment of KPMG LLP as the Company's independent auditors for 2012; and
5. Transacting such other business as may properly come before the meeting.

Only holders of record of our Common Stock at the close of business on November 17, 2011 are entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof. Shareholders may vote in person or by proxy.

By Order of the Board of Directors,

/s/ Sherrill A. Corbett
Sherrill A. Corbett
Secretary

Lake Oswego, Oregon

November 23, 2011

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YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING IN PERSON, PLEASE MARK, SIGN, DATE AND PROMPTLY RETURN YOUR PROXY IN THE ENCLOSED ENVELOPE.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held

on January 6, 2012: The Proxy Statement and Annual Report to Shareholders are available at

www.gbrx.com/proxy.

THE GREENBRIER COMPANIES, INC.

One Centerpointe Drive

Suite 200

Lake Oswego, Oregon 97035

PROXY STATEMENT

2012 Annual Meeting of Shareholders

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of The Greenbrier Companies, Inc. (the Company, we, us, and our) of proxies to be voted at the 2012 Annual Meeting of Shareholders of the Company to be held beginning at 2:00 p.m. on Friday, January 6, 2012 at the Benson Hotel, 309 SW Broadway, Portland, Oregon, and at any adjournments or postponements thereof. If proxies in the accompanying form are properly executed, dated and returned prior to the voting at the meeting, the shares of Common Stock represented thereby will be voted as instructed on the proxy. If no instructions are given on a properly executed and returned proxy, the shares of Common Stock represented thereby will be voted as the Board of Directors recommends. The persons named in the proxies will have discretion to vote on such other business as may properly come before the meeting or any adjournments or postponements thereof.

Any proxy may be revoked by a shareholder prior to its exercise upon written notice to the Secretary of the Company, by delivering a duly executed proxy bearing a later date, or by the vote of a shareholder cast in person at the meeting. The cost of soliciting proxies will be borne by us. In addition to solicitation by mail, proxies may be solicited personally by our officers and regular employees or by telephone, facsimile, electronic transmission or express mail. We have also engaged Innisfree M&A Incorporated to assist in the distribution of proxy materials and the solicitation of votes as described below. We will pay Innisfree a fee of \$15,000 plus customary costs and expenses for these services. The Company has agreed to indemnify Innisfree against certain liabilities arising out of or in connection with its engagement. We will reimburse brokerage houses, banks and other custodians, nominees and fiduciaries for their reasonable expenses incurred in forwarding proxies and proxy material to their principals. This Proxy Statement is first being mailed to shareholders on or about November 23, 2011.

VOTING

Holders of record of our Common Stock at the close of business on November 17, 2011, will be entitled to vote at the Annual Meeting or any adjournments or postponements thereof. As of November 17, 2011, there were 26,668,541 shares of Common Stock outstanding and entitled to vote, and a majority, or 13,334,271 of these shares, will constitute a quorum for the transaction of business. Each share of Common Stock entitles the holder to one vote on each matter that may properly come before the meeting. Shareholders are not entitled to cumulative voting in the election of directors. For shares held through a broker or other nominee that is a New York Stock Exchange member organization, if a matter to be voted on is considered routine, the broker has discretion to vote the shares. If the matter to be voted on is determined to be non-routine, the broker may not vote the shares without specific instruction from the shareholder. Director elections and the advisory votes on executive compensation and on the frequency of the advisory vote on executive compensation are not considered routine matters.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

The Board of Directors is comprised of eleven directors. The directors are divided into three classes, one class with three directors and two classes with four directors each. One class is elected each year for a three-year term. The three nominees recommended by our Nominating and Corporate Governance Committee and nominated by the Board of Directors for election as Class III directors to serve until the Annual Meeting of Shareholders in 2015, or until their respective successors are elected and qualified, are William A. Furman, C. Bruce Ward, and Charles J. Swindells. Directors are elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. The three nominees for director receiving the highest number of votes will be elected to the Board of Directors.

Unless marked otherwise, proxies received will be voted FOR the election of the three nominees.

If a nominee is unable or unwilling to serve as a director at the date of the Annual Meeting or any adjournment or postponement thereof, the proxies may be voted for a substitute nominee, designated by the proxy holders or by the present Board of Directors to fill such vacancy, or for the other nominee named without nomination of a substitute, or the number of directors may be reduced accordingly. The Board of Directors has no reason to believe that any of the nominees will be unwilling or unable to serve if elected a director.

Under Oregon law, the directors who receive the greatest number of votes cast will be elected directors. Abstentions and broker non-votes will have no effect on the results of the vote.

The Board of Directors recommends a vote FOR the election of each of Mr. Furman, Mr. Ward, and Mr. Swindells.

The following table sets forth certain information about each nominee for election to the Board of Directors and each continuing director.

Name	Age	Positions	Director Since	Expiration of Current Term
Nominees for Election				
Class III				
William A. Furman	67	President, Chief Executive Officer and Director	1981	2012
C. Bruce Ward	81	Director	1994	2012
Charles J. Swindells ⁽¹⁾⁽²⁾⁽³⁾	69	Director	2005	2012
Directors Continuing in Office				
Class I				
Duane C. McDougall ⁽¹⁾⁽²⁾⁽³⁾	59	Director	2003	2013
A. Daniel O. Neal, Jr.	75	Director	1994	2013
Wilbur L. Ross, Jr.	73	Director	2009	2013
Donald A. Washburn ⁽¹⁾⁽²⁾⁽³⁾	67	Director	2004	2013
Class II				
Graeme A. Jack ⁽¹⁾⁽²⁾	60	Director	2006	2014
Victoria McManus ⁽³⁾	56	Director	2009	2014
Wendy L. Teramoto	37	Director	2009	2014
Benjamin R. Whiteley ⁽¹⁾⁽²⁾⁽³⁾	82	Chairman of the Board of Directors	1994	2014
Director Emeritus				
Victor G. Atiyeh	88	Director Emeritus		

⁽¹⁾ Member of the Audit Committee.

⁽²⁾ Member of the Compensation Committee.

⁽³⁾ Member of the Nominating and Corporate Governance Committee.

William A. Furman, President, Chief Executive Officer and Director. Mr. Furman has served as a member of the Board and as the Company's President and Chief Executive Officer since 1994. Mr. Furman has been associated with the Company and its predecessor companies since 1974. Prior to 1974, Mr. Furman was Group Vice President for the Leasing Group of TransPacific Financial Corporation. Earlier he was General Manager of the Finance Division of FMC Corporation. Mr. Furman serves as a Director of Schnitzer Steel Industries, Inc., a steel recycling and manufacturing company. As a founder of the Company's predecessor, Mr. Furman brings executive management and railcar industry experience to the Board as well as historical perspective on the Company's origins and evolution.

The Board of Directors has determined that it is in the best interests of the Company and its shareholders for Mr. Furman to continue to serve as a director of the Board, subject to shareholder approval at the Annual Meeting.

Graeme A. Jack, Director. Mr. Jack has served as a member of the Board since October 2006. Mr. Jack is a retired partner of PricewaterhouseCoopers in Hong Kong. Mr. Jack is also an independent non-executive director of Hutchison Port Holdings Management Pte. Limited, the trustee manager of Singapore Stock Exchange listed Hutchison Port Holdings Trust. He also serves as an independent trustee for Hutchison Provident Fund and Hutchison Provident and Retirement Plan, two retirement plans established for employees of Hong Kong Stock Exchange listed Hutchison Whampoa Limited. Mr. Jack brings accounting and financial reporting expertise to the Board as well as extensive experience in international business transactions in Asia generally and in China in particular.

The Board of Directors has determined that it is in the best interests of the Company and its shareholders for Mr. Jack to continue to serve as a director of the Board.

Duane C. McDougall, Director. Mr. McDougall has served as a member of the Board since 2003. Mr. McDougall served as Chairman and Chief Executive Officer of Boise Cascade, LLC, a privately held manufacturer of wood products, from December 2008 to August 2009. He was President and Chief Executive Officer of Willamette Industries, Inc., an international forest products company, from 1998 to 2002. Prior to becoming President and Chief Executive Officer, he served as Chief Accounting Officer during his 23-year tenure with Willamette Industries, Inc. He also serves as Chairman of the Board of Boise Cascade and as a Director of StanCorp Financial and Cascade Corporation. Mr. McDougall has also served as a Director of West Coast Bancorp, a position from which he resigned effective December 31, 2011, and as a Director of several non-profit organizations. Mr. McDougall brings executive leadership and accounting and financial reporting expertise to the Board.

The Board of Directors has determined that it is in the best interests of the Company and its shareholders for Mr. McDougall to continue to serve as a director of the Board.

Victoria McManus, Director. Ms. McManus has served as a member of the Board since July 2009. From September 2008 to the present, Ms. McManus has worked independently and has made investments in real estate and mid-cap companies. From August 2004 until July 2008, Ms. McManus served as President of Babcock & Brown Rail Management, LLC and President of Babcock & Brown Freight Management LLC. Ms. McManus was a partner with Babcock & Brown LP (B&B), an international financial advisory and asset management firm known for its expertise in transportation and infrastructure assets. At B&B, Ms. McManus was a senior member of the U.S. Management team and the head of the North American Rail Group. Prior to joining B&B, Ms. McManus was an executive with The CIT Group for ten years; her last position as President of their Rail Division. Ms. McManus brings railcar leasing and executive leadership expertise to the Board.

The Board of Directors has determined that it is in the best interests of the Company and its shareholders for Ms. McManus to continue to serve as a director of the Board.

A. Daniel O Neal, Jr., Director. Mr. O Neal has served as a member of the Board since 1994. He also served as a Director of Gunderson from 1985 to 2005. Mr. O Neal serves as an advisor to the Company regarding strategic relationships within railroad and supplier industries and with the federal government, a position he held from 1997 until January of 2011 as an employee of the Company and as a consultant to the Company thereafter. Mr. O Neal served as a Commissioner of the Interstate Commerce Commission from 1973 until 1980 and, from 1977 until 1980, served as its Chairman. Since 1985, he has served in various executive positions with the Company, including as Chairman of Greenbrier Intermodal from 1984 to 1994, Chairman of Autostack from 1989 to 1996 and Chairman of Greenbrier Logistics from 1996 to 1997. Prior to joining the Company in 1985, he was a partner in a business law firm. From 1989 until 1996 he was Chief Executive Officer and owner of a freight transportation services company. He was Chairman of Washington State's Freight Mobility Board from its inception in 1998 until July 2005. Mr. O Neal is a member of the Washington State Transportation Commission. In 2007 the Governor of Washington appointed him to the newly formed Puget Sound Partnership Leadership Board. He is on the board of various non-profit organizations. Mr. O Neal brings transportation industry, governmental relations and regulatory affairs expertise to the Board.

The Board of Directors has determined that it is in the best interests of the Company and its shareholders for Mr. O Neal to continue to serve as a director of the Board.

Wilbur L. Ross, Jr., Director. Mr. Ross has served as a member of the Board since June 2009. Mr. Ross is the Chairman and Chief Executive Officer of WL Ross & Co. LLC, a private equity firm, a position he has held since April 2000. Mr. Ross is also the managing member of the general partner of WL Ross Group, L.P., which in turn is the managing member of the general partner of WLR Recovery Fund L.P., WLR Recovery Fund II L.P., WLR Recovery Fund III L.P., WLR Recovery Fund IV L.P., Asia Recovery Fund L.P., Asia Recovery Co-Investment Fund L.P., Absolute Recovery Hedge Fund L.P., India Asset Recovery Fund and Japan Real Estate Recovery Fund, a member of the Investment Committee of the Taiyo Funds (Taiyo Fund, Taiyo Cypress Fund and Taiyo Pearl Fund) and the Chairman of Invesco Private Capital. Mr. Ross is also Chairman of International Textile Group, Inc., a global, diversified textile provider that produces automotive safety, apparel, government uniform, technical and specialty textiles; Nano-Tex, Inc., a fabric innovations company located in the United States; International Automotive Components Group S.A., a global manufacturer of automotive interiors; ArcelorMittal N.V., a global steel manufacturer; Assured Guaranty Ltd., a provider of financial guaranty and credit enhancement products; Bank United, Inc.; Compagnie Européenne de Wagons SARL in Luxembourg; DSS Holdings GP Limited, a global shipping company, Insuratex, Ltd., an insurance company in Bermuda; Plaspar Participacoes SA; International Automotive Components Group Brazil LLC; International Automotive Components Group North America LLC; Air Lease Corporation; First Michigan Bank; OCM Limited; Ohizumi Manufacturing Company Limited; and Sun Bancorp. Until June 2011, Mr. Ross was the Non-Executive Chairman of the board of directors of International Coal Group, Inc. Previously, Mr. Ross served as the Executive Managing Director at Rothschild Inc., an investment banking firm, from October 1974 to March 2000. Mr. Ross was previously a director of Mittal Steel Co. N.V. from April 2005 to June 2006, a director of International Steel Group Inc. from February 2002 to April 2005, a director of Montpellier RE Holdings Ltd. from 2006 to March 2010, and a director of Syms Corp. from 2000 through 2007. Mr. Ross was also formerly Chairman of the Smithsonian Institution National Board and currently is a board member of the Japan Society, British American Business Council, Committee on Capital Markets Regulations, U.S. India Business Council, the Yale University School of Management, the Harvard Business School Club of New York, the Palm Beach Civic Association, the Palm Beach Preservation Foundation, Palm Beach Firefighters Retirement Board, the Partnership for New York City and the Briarcliffe Condominium Apartment Building. He holds an A.B. from Yale University and an M.B.A., with distinction, from Harvard University. Mr. Ross brings financial services and heavy industry expertise to the Board and is one of the world's most respected investors.

The Board of Directors has determined that it is in the best interests of the Company and its shareholders for Mr. Ross to continue to serve as a director of the Board.

Wendy L. Teramoto, Director. Ms. Teramoto has served as a member of the Board since June 2009. Ms. Teramoto is a Managing Director at WL Ross & Co. LLC. Until June 2011, Ms. Teramoto was a director of International Coal Group, Inc. Ms. Teramoto is also a director of DSS Holdings GP Limited, a global shipping company. Prior to joining WL Ross & Co. LLC, Ms. Teramoto worked at Rothschild Inc., an investment banking firm. Ms. Teramoto brings expertise in analyzing financial issues and experience with manufacturing and other heavy industry companies to the Board.

The Board of Directors has determined that it is in the best interests of the Company and its shareholders for Ms. Teramoto to continue to serve as a director of the Board.

Charles J. Swindells, Director. Mr. Swindells has served as a member of the Board since September 2005. Mr. Swindells is employed as a Senior Advisor to Bessemer Trust Company. Mr. Swindells served as the Vice Chairman, Western Region of U.S. Trust, Bank of America, Private Wealth Management from August 2005 to January 2009. Mr. Swindells served as United States Ambassador to New Zealand and Samoa from 2001 to 2005. Before becoming Ambassador, Mr. Swindells was Vice Chairman of US Trust Company, N.A.; Chairman and Chief Executive Officer of Capital Trust Management Corporation; and Managing Director/Founder of Capital Trust Company. He also served as Chairman of World Wide Value Fund, a closed-end investment company listed on the New York Stock Exchange. Mr. Swindells was one of five members on the Oregon Investment Council overseeing the \$20 billion Public Employee Retirement Fund Investment Portfolio and was a member of numerous non-profit boards of trustees, including serving as Chairman of the Board for Lewis & Clark College in Portland, Oregon. Mr. Swindells serves as a Director of Swift Energy Company, a NYSE listed oil and natural gas company. Mr. Swindells brings financial and global business expertise to the Board.

The Board of Directors has determined that it is in the best interests of the Company and its shareholders for Mr. Swindells to continue to serve as a director of the Board, subject to shareholder approval at the Annual Meeting.

C. Bruce Ward, Director. Mr. Ward has served as a member of the Board since 1994. He has also served as a consultant to the Company since 2005. Mr. Ward served as Chairman of Gunderson LLC, a manufacturing subsidiary, from 1990 to 2005 and was its President and Chief Executive Officer from 1985 to 1989. Mr. Ward is a former director of Stimson Lumber Company, a privately-held forest products company. Mr. Ward brings operational and railcar manufacturing expertise to the Board.

The Board of Directors has determined that it is in the best interests of the Company and its shareholders for Mr. Ward to continue to serve as a director of the Board, subject to shareholder approval at the Annual Meeting.

Donald A. Washburn, Director. Mr. Washburn has served as a member of the Board since August 2004. Mr. Washburn is a private investor. Mr. Washburn served as Executive Vice President of Operations of Northwest Airlines, Inc., an international airline, from 1995 to 1998. Mr. Washburn also served as Chairman and President of Northwest Cargo from 1997 to 1998. Prior to becoming Executive Vice President, he served as Senior Vice President for Northwest Airlines, Inc. from 1990 to 1995. Mr. Washburn served in several positions from 1980 to 1990 for Marriott Corporation, an international hospitality company, most recently as Executive Vice President. He also serves as a trustee of LaSalle Hotel Properties, and a director of Key Technology, Inc. and Amedisys, Inc., as well as privately held companies and non-profit corporations. Mr. Washburn received his BBA, cum laude, from Loyola University of Chicago, an MBA from Northwestern University's Kellogg School of Management and a J.D., cum laude, from Northwestern University's School of Law. He has continued his professional education in business and law attending Harvard Business School, Stanford Law School, Kellogg School of Management, Wharton Business School at the University of Pennsylvania and industry seminars, including the Boardroom Summit and Stanford Director's College. Mr. Washburn brings executive management and operational expertise to the Board.

The Board of Directors has determined that it is in the best interests of the Company and its shareholders for Mr. Washburn to continue to serve as a director of the Board.

Benjamin R. Whiteley, Chairman of the Board of Directors. Mr. Whiteley has served as a member of the Board since 1994 and was elected Chairman of the Board of Directors in October 2004. He is the retired Chairman and Chief Executive Officer of Standard Insurance Company, an Oregon based life insurance company, where he served in a number of capacities over 44 years ending in 2000. Mr. Whiteley has served as a director of several other publicly held companies and has chaired the boards of a number of non-profit organizations. Mr. Whiteley brings executive management and public company director expertise to the Board.

The Board of Directors has determined that it is in the best interests of the Company and its shareholders for Mr. Whiteley to continue to serve as a director of the Board.

Victor G. Atiyeh, Emeritus Director. Mr. Atiyeh served as a member of the Board from 1994 until the completion of his term in January 2008. Mr. Atiyeh has agreed to continue his counsel to the Board as an Emeritus Director. Mr. Atiyeh has been President of Victor Atiyeh & Co., international trade consultants, since 1987. He served eight years as Governor of the State of Oregon from January 1979 to January 1987. Prior to being elected Governor, Mr. Atiyeh was President of Atiyeh Brothers, a family retail company.

Arrangements Regarding Appointment as a Director

Pursuant to the Investor Rights and Restrictions Agreement, dated as of June 10, 2009, among the Company, WLR Recovery Fund IV, L.P. (Recovery Fund) and WLR IV Parallel ESC, L.P. (Parallel Fund), WL Ross & Co. LLC (WLRCo), and the other holders from time to time party thereto (the Investor Agreement), the Company agreed to cause two designees of Recovery Fund (a WLR Designee) to be appointed to the Company's Board of Directors, which designees are Mr. Ross and Ms. Teramoto. In addition, the Company agreed to re-nominate one of such individuals, as designated by Recovery Fund, to the Company's Board following the end of such director's term. If no WLR Designee is serving on the Company's Board, Recovery Fund is entitled to board observer rights. Recovery Fund's board rights terminate upon the earliest to occur of June 10, 2014 and certain other events specified in the Investor Agreement.

Board Committees, Meetings and Charters

During the year ended August 31, 2011, the Board of Directors held nine meetings. The Company maintains a standing Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. Copies of the Company's Audit Committee Charter, Compensation Committee Charter, Nominating and Corporate Governance Committee Charter, Corporate Governance Guidelines and Code of Business Conduct and Ethics are available to shareholders without charge upon request to: Investor Relations, The Greenbrier Companies, Inc., One Centerpointe Drive, Suite 200, Lake Oswego, Oregon 97035 or on the Company's website at <http://www.gbrx.com>. The Code of Business Conduct and Ethics applies to all of the Company's directors, employees and consultants, including its principal executive officer, principal financial officer and principal accounting officer.

Non-management Board members meet without management present at least once annually at a regularly scheduled executive session. The Company's independent directors generally meet periodically in executive session in conjunction with meetings of the committees of the Board of Directors which are composed entirely of independent directors. The regular executive sessions of the Company's non-management directors are held on an annual basis, after the end of each fiscal year of the Company, and are scheduled to approximately coincide with (either immediately before or immediately after) the first regularly scheduled meeting of the Board of Directors to be held after the end of each fiscal year of the Company. The Board has designated the Chairman of the Board of Directors of the Company to preside at the regularly scheduled meetings of the non-management directors.

Messrs. McDougall, Swindells, Washburn and Whiteley are members of each of the Audit, Compensation and Nominating and Corporate Governance Committees of the Board of Directors. Ms. McManus is a member of the Nominating and Corporate Governance Committee. Mr. Jack is a member of the Audit Committee and the Chairman of the Compensation Committee. Mr. Washburn is the Chairman of the Nominating and Corporate Governance Committee, Mr. McDougall is the Chairman of the Audit Committee. During the year ended August 31, 2011, the Audit Committee held five meetings, the Nominating and Corporate Governance Committee held four meetings and the Compensation Committee held five meetings. All directors attended more than 75% of the number of meetings of the Board and its committees on which they served. The reports of the Audit and Compensation Committees for the year are included in this Proxy Statement. Each of the members of these committees is an independent director as defined under the rules of the Securities and Exchange Commission and the corporate governance standards applicable to companies listed on the New York Stock Exchange. The Board of Directors has determined that Mr. McDougall and Mr. Jack qualify as "audit committee financial experts" under federal securities laws. In addition, the Board of Directors has determined that Mr. McDougall's and Mr. Washburn's simultaneous service on the audit committees of three other companies will not impair their ability to serve on the Company's Audit Committee.

Board Leadership and Structure

Mr. Whiteley is the Chairman of the Board and Mr. Furman is our Chief Executive Officer and a director. The Board has not adopted a specific policy on whether the same person should serve as both the Chief Executive Officer and Chairman of the Board or, if the roles are separate, whether the Chairman should be selected from the non-employee directors or should be an employee. The Board believes it is appropriate to retain the discretion and flexibility to make these determinations from time to time as needed to provide appropriate leadership for the Company.

At this time, the Board believes the most appropriate Board leadership structure for the Company is to separate the roles of the Chief Executive Officer and Chairman of the Board as a result of the differences between the two roles. The Company's Chief Executive Officer is responsible for the day to day leadership and performance of the Company, while the Chairman of the Board provides strategic guidance to the Chief Executive Officer and sets the agenda for Board meetings and presides over meetings of the full Board.

Risk Oversight

Board of Directors

The Company's management has the primary responsibility for risk management, including developing appropriate processes and procedures to identify, manage and mitigate risks. Risk oversight is the responsibility of the Board of Directors and focuses on the adequacy of the Company's enterprise risk management and risk mitigation processes designed and implemented by management. The Board administers its risk oversight function principally through its division of responsibility within its committee structure, with each board committee being responsible for overseeing risk within its area of responsibility. Significant risk oversight matters considered by the committees are reported to and considered by the Board. Some significant risk oversight matters are reported directly to the Board, including matters not falling within the area of the responsibility of any committee. Types of risks with the potential to adversely affect the Company include financial and accounting risk, operational risk, compensation risk, strategic risk, liquidity risk, investment risk, competitive risk, government regulation risk, market risk, litigation risk, reputation risk, customer risk, business model risk and compliance risk. If necessary, the Board or a committee may delegate specific risk management tasks to management or, in the case of the Board, to an appropriate committee. The Board believes that risk management is an integral part of the Company's strategic planning process, which addresses, among other things, the risks and opportunities facing the Company.

Management regularly provides the Board and its various committees with a significant amount of information regarding a wide variety of matters affecting the Company. Matters presented to the Board and board committees generally include information with respect to risks facing the Company and ways that management is addressing those risks. The Board and board committees consider the risk aspects of such information and often request additional information with respect to issues that involve risks to the Company. The Board and board committees also raise risk issues on their own initiative.

The Board's role in risk oversight of the Company is consistent with the Company's leadership structure, with the Chief Executive Officer and other members of senior management having responsibility for assessing and managing the Company's risk exposure, and the Board and its committees providing oversight in connection with those efforts.

Audit Committee

The Company's Audit Committee oversees the Company's financial and accounting risk, government regulation risk, investment risk and some litigation risk. The Audit Committee considers financial and accounting risk on a quarterly basis and approves or recommends policies and guidelines concerning various financial related exposures. The Audit Committee also reviews risks related to financial reporting, litigation, and information technology and security risks. The Audit Committee periodically reviews the Company's risk management program from an insurance coverage perspective to ensure that the Company is maintaining an insurance program to minimize exposure to insurable losses. Additionally, the Company's internal audit function reports to the Audit Committee, and audit results are regularly presented to the Audit Committee. The Audit Committee review identifies internal controls risks and initiates projects for the annual internal audit plan. Material violations of the Company's Code of Ethics and Business Conduct and related corporate policies are reported to the Audit Committee and thereafter are reported to the full Board.

Compensation Committee

The Company's Compensation Committee oversees compensation policies and practices to ensure that they do not promote undue risk-taking. The Compensation Committee evaluates the risk profile of the Company's executive and broad-based compensation policies and practices, including the balance between short-term and long-term incentives and the use of multiple measures to evaluate performance and determine compensation levels. The Compensation Committee regularly reviews and, when necessary, recommends changes to the Company's incentive and performance-based compensation plans. Additionally, the Compensation Committee recommends to the Board of Directors policies and processes for the regular and orderly review of the performance and compensation of the Company's senior executive management personnel.

Nominating and Corporate Governance Committee

The Company's Nominating and Corporate Governance Committee oversees certain risks related to the Company's strategic risk, some litigation risk, some operational risk and some government regulation and compliance risk. This includes oversight of corporate governance programs, succession planning, human resource matters, long-term strategic plans and environmental, health and safety matters. The Nominating and Corporate Governance Committee approves or recommends policies or guidelines concerning business practices and corporate compliance, and regularly receives and reviews reports from counsel on new developments and best practices in corporate governance. Significant compliance issues, such as allegations of discrimination or other potentially serious legal risks, are regularly reviewed by the Nominating and Corporate Governance Committee.

Independence of Directors

The Board has determined that a majority of its directors qualify as independent directors pursuant to the rules adopted by the Securities and Exchange Commission and the corporate governance standards applicable to companies listed on the New York Stock Exchange. Applying the New York Stock Exchange definition of independence, the Board has determined that the following majority of directors qualify as independent: Messrs. Jack, McDougall, Swindells, Washburn and Whiteley and Ms. McManus. In evaluating independence, the Board took into consideration the fact that Ms. McManus owned in fiscal 2011 a small percentage of the Company's previously outstanding debt instruments which were originally issued to WLRCo and that she continues to own a percentage of the related warrants.

During 2011, the Nominating and Corporate Governance Committee (the Nominating Committee) fulfilled its responsibilities under its charter, including, among other responsibilities, selecting, or recommending that the Board select, director nominees to be presented for election at annual meetings of shareholders; developing and recommending to the Board of Directors corporate governance principles applicable to the Company; and developing and overseeing programs for the evaluation of the Board of Directors, its committees and management. The Board annually reviews applicable standards and definitions of independence for Nominating Committee members and has determined that each member of the Nominating Committee meets such standards.

The Nominating Committee receives suggestions for potential director nominees from many sources, including members of the Board, advisors, and shareholders. Any such nominations, together with appropriate biographical information, should be submitted to the Nominating Committee in accordance with the Company's policies governing submissions of nominees discussed below. Any candidates submitted by a shareholder or shareholder group are reviewed and considered by the Nominating Committee in the same manner as other candidates.

Qualifications for consideration as a nominee for the Board of Directors vary, depending upon the experience and background of incumbent directors as well as particular areas of expertise which the Nominating Committee desires to obtain for the benefit of the Company. The Nominating Committee has identified the following criteria, among others, as appropriate for consideration in identifying Board candidates:

Financial acumen and experience

Continuing activity in the business community

Age and maturity

Diversity considerations

Background in manufacturing or related industries

Although the Nominating Committee does not have a formal policy for the consideration of diversity in identifying director nominees, the Nominating Committee believes that the backgrounds and qualifications of the directors, considered as a group, should provide a diverse mix of skills, knowledge, attributes and experiences that cover the spectrum of areas that affect the Company's business. In general, the constitution of the Board of

Directors is diversified across financial, accounting, legal and corporate governance expertise, as well as expertise within the Company's business and industry, including experience in global markets, manufacturing and the railcar industry. Candidates for potential director nominees are considered in the context of current perceived needs of the Board of Directors as a whole. The Nominating Committee regularly assesses whether the mix of skills, experience and background of our Board of Directors as a whole is appropriate for the Company.

Upon completion of the review process, the Nominating Committee makes its recommendation to the full Board of Directors. The Board then selects candidates for nomination for election by shareholders or appointment to fill vacancies.

We do not currently employ an executive search firm, or pay a fee to any other third party, to locate qualified candidates for director positions, though we may decide to do so in the future.

A shareholder wishing to nominate a candidate for election to the Company's Board of Directors at any annual meeting at which the Board of Directors has determined that one or more directors will be elected should submit a written notice of his or her nomination of a candidate to the Nominating Committee of the Company in accordance with the procedures described in this Proxy Statement under Shareholder Proposals.

Communication with Directors

Shareholders and other interested parties may communicate with members of the Board of Directors by mail addressed to the Chairman, to any other individual member of the Board, to the full Board, to the non-management directors as a group, or to a particular committee of the Board. In each case, such correspondence should be sent to the Company's headquarters at One Centerpointe Drive, Suite 200, Lake Oswego, OR 97035. Such communications are distributed to the Board, to one or more individual members of the Board, to the non-management directors as a group, or to a particular committee of the Board, as appropriate.

Annual Meeting Attendance by Directors

The Company's policy is to encourage Board members to attend the Company's annual meetings of shareholders. Eight of the Company's directors attended the annual meeting of shareholders held on January 7, 2011.

TRANSACTIONS WITH RELATED PERSONS

Wilbur L. Ross, Jr. is Chairman and CEO of WL Ross & Co. LLC (WLRCo) and Wendy L. Teramoto is a Managing Director of WLRCo. WLR Recovery Fund IV, L.P. (Recovery Fund) and WLR IV Parallel ESC, L.P. (Parallel Fund) own warrants to purchase Common Stock of the Company. WLR Recovery Associates IV LLC (Associates) is the general partner of Recovery Fund. Mr. Ross is the managing member of El Vedado, LLC, the general partner of WL Ross Group, L.P., which in turn is the managing member of Associates, the general partner of Recovery Fund. Mr. Ross is an executive officer of INVESCO Private Capital, Inc., which is the managing member of INVESCO WLR IV Associates LLC, which in turn is the general partner of Parallel Fund. Parallel Fund and Recovery Fund are shareholders of WLR-Greenbrier Rail Inc. (WLR Inc.). Mr. Ross and Wendy Teramoto, members of the Company's Board of Directors, are executive officers of WLRCo and other of its affiliates, including WLR Inc., WL Ross-Greenbrier Rail I LLC (Rail I), and WL Ross-Greenbrier Rail Holdings I LLC (Holdings).

WLR Credit Agreement Pre-payment and Termination

On June 10, 2009, the Company entered into a Credit Agreement (the WLR Credit Agreement), among the Company as borrower, Recovery Fund and Parallel Fund (together, the Holders) as holders, the other holders party thereto, and WLRCo, as Administrative Agent for such holders. Victoria McManus, a director of the Company, owned a 3% participation in the WLR Credit Agreement.

On June 30, 2011, the Company pre-paid all outstanding obligations outstanding under the WLR Credit Agreement, thereby terminating its obligations thereunder.

The WLR Credit Agreement provided for a \$75.0 million secured term loan, with the potential to increase to \$150.0 million. The outstanding principal amount of loans under the WLR Credit Agreement could not exceed the borrowing base, which was derived from specified percentages of the value of eligible accounts receivable, eligible inventory and eligible property, plant and equipment of the Company's refurbishment and parts business domestic subsidiaries. The Company was required to provide additional collateral having a value equal to such shortfall in the borrowing base, or prepay the loan in such amount. The WLR Credit Agreement permitted the Company to prepay the loan in whole or in part at any time without premium or penalty. Amounts prepaid could not be re-borrowed.

The loan bore interest, at the Company's option, at a rate equal to a base rate determined in accordance with the WLR Credit Agreement or at the three-month London interbank offered rate (LIBOR), in each case plus 3.50%. Interest on the loan was due and payable quarterly in arrears if bearing interest at the base rate and at the end of the interest period if bearing interest at LIBOR. Principal, together with all accrued and unpaid interest, would have been due and payable on June 10, 2012.

The Company's obligations under the WLR Credit Agreement were secured by substantially all of the assets of each of the Company's existing and future domestic subsidiaries engaged in the refurbishment and parts business. The Company also pledged to the Administrative Agent amounts owing to the Company under the Amended and Restated Loan and Security Agreement, dated as of February 3, 2009, among the Company, Greenbrier-GIMSA, LLC and Gunderson GIMSA S. de R.L. de C.V., as amended (the GIMSA Loan).

All of the Company's existing and future domestic subsidiaries were required to guaranty the obligations under the WLR Credit Agreement, subject to some limited exceptions.

The largest amount outstanding under the WLR Credit Agreement in fiscal 2011 was \$71.75 million. The amount of principal paid by the Company under the WLR Credit Agreement in fiscal 2011 was \$71.75 million, and the amount of interest paid by the Company under the WLR Credit Agreement in fiscal 2011 was \$2.9 million. Immediately prior to its pre-payment and termination, there were outstanding borrowings of \$71.75 million.

The pre-payment of all amounts outstanding under the WLR Credit Agreement and its termination were approved by a majority of the disinterested, independent members of the Company's Board of Directors on June 27, 2011.

Warrant Agreement

On June 10, 2009, the Company entered into a Warrant Agreement, dated as of June 10, 2009, with Recovery Fund, Parallel Fund and the other holders from time to time party thereto (the Warrant Agreement) pursuant to which the Company issued to the Holders warrants (the Warrants) to purchase an aggregate of 3,377,903 shares of the Company's Common Stock. As of June 10, 2009, Recovery Fund and Parallel Fund held, in the aggregate, Warrants to purchase 3,276,566 shares of Common Stock. In connection with Victoria McManus' 3% participation in the WL Ross transaction, WL Ross and its affiliates transferred the right to purchase 101,337 shares of Common Stock under the warrant agreement to Ms. McManus, a director of the Company.

The initial exercise price of the Warrants was \$6.00 per share and is currently \$5.96 per share as a result of an automatic adjustment following the Company's equity offering in December 2010, which is described below. The Warrants expire on June 10, 2014. A Holder may pay the exercise price of the Warrants in cash or by cashless exercise.

The exercise price and the number of shares of Common Stock issuable upon exercise of the Warrants are subject to adjustment for (i) common stock dividends, subdivisions or combinations; (ii) other dividends and distributions in excess of a \$0.32 per annum cash dividend; and (iii) reorganizations, reclassifications, consolidations, mergers or sale of the Company. The exercise price and the number of shares of Common Stock issuable upon exercise of the Warrants are also subject to adjustment in the event the Company issues shares of Common Stock or convertible securities, subject to certain exceptions, without consideration or for a consideration per share that is less than 95% of the volume weighted average trading price of the Common Stock.

on the last trading day preceding the earlier of the date of agreement on pricing of such shares and the public announcement of the proposed issuance of such shares.

If events occurring after the date of the Warrant Agreement would result in an adjustment causing the Warrants to become exercisable in the aggregate for a number of shares of Common Stock that would exceed the number of shares that the Company may issue upon exercise of the Warrants under the rules and regulations of the applicable stock exchange, then from and after such time, upon exercise of any Warrant, the Company may elect to settle the Warrant in cash.

The Company shall not be obligated to issue any shares of Common Stock upon exercise of the Warrants to the extent that the issuance of such shares of Common Stock would result in the WLR Group (or, if the applicable holder is not a member of the WLR Group, such holder or any of its affiliates) becoming an Acquiring Person as that term is defined in and calculated in accordance with the Stockholder Rights Agreement (as defined below), unless and until such excess shares are subject to the voting agreement as described under Investor Rights and Restrictions Agreement below. WLR Group is defined in the Third Amendment to the Stockholders Rights Agreement.

On December 16, 2010, the Company sold 3,000,000 shares of its common stock, under a shelf registration statement filed in April 2010, in an underwritten at-the-market public offering at a price of \$21.06 per share less expenses (the Equity Offering). Because the per share consideration was less than 95% of the volume weighted average trading price of the Common Stock on the last trading day preceding the public announcement of the Equity Offering, the exercise price of the warrants was automatically adjusted from \$6.00 to \$5.96 and the aggregate number of shares that may be purchased under the warrants was adjusted from 3,377,903 to 3,401,095. The Equity Offering was approved by a majority of the disinterested and independent directors of the Company s Board of Directors on December 6, 2010.

On November 14, 2011, Recovery Fund and Parallel Fund exercised Warrants to purchase 2,144,390 shares of Common Stock. As these Warrants were exercised in a cashless net exercise pursuant to the Warrant Agreement, there were no net proceeds to the Company and an aggregate of 1,482,341 shares of Common Stock were issued. The shares of Common Stock issued upon the exercise were subsequently sold by Recovery Fund and Parallel Fund. Recovery Fund and Parallel Fund continue to own Warrants to purchase 1,154,672 shares of the Company s Common Stock. Mr. Ross and Ms. Teramoto will continue to serve on the Company s Board of Directors.

Investor Rights and Restrictions Agreement

On June 10, 2009, the Company entered into the Investor Rights and Restrictions Agreement, dated as of June 10, 2009, among the Company, the Investors, WLRCo, and the other holders from time to time party thereto (the Investor Agreement).

Board Rights

Pursuant to the Investor Agreement, the Company agreed to cause two designees of Recovery Fund (a WLR Designee) to be appointed to the Company s Board of Directors, which designees are Mr. Ross and Ms. Teramoto. In addition, the Company agreed to re-nominate one of such individuals, as designated by Recovery Fund, to the Company s Board following the end of such director s term. If no WLR Designee is serving on the Company s Board, Recovery Fund is entitled to board observer rights. Recovery Fund s board rights terminate upon the earliest to occur of June 10, 2014 and certain other events specified in the Investor Agreement.

Railcar Leasing Portfolio Transaction

On April 29, 2010, Rail I, created for the purpose of acquiring railcar assets in North America to be exclusively managed by subsidiaries of the Company, acquired a lease portfolio of nearly 4,000 railcars valued at approximately \$256 million. Rail I is owned by affiliates of Wilbur L. Ross, Jr., a director of the Company, and Parallel Fund and Recovery Fund, the holders of warrants to acquire 1,154,672 shares, or approximately 4.2% of our pro forma outstanding common stock following exercise of all outstanding warrants.

In connection with the acquisition of the lease portfolio of nearly 4,000 railcars, on April 29, 2010, Greenbrier Leasing Company LLC (GLC) and Greenbrier Management Services, LLC (GMS), subsidiaries of the Company, entered into certain agreements with affiliates of Wilbur L. Ross, Jr., Parallel Fund and Recovery Fund: a Contract Placement Agreement, an Advisory Services Agreement, a Syndication Agreement, a Railcar Remarketing and Management Agreement and a Line of Credit Participation Letter Agreement.

Pursuant to the Contract Placement Agreement between WLR Inc. and GLC, GLC paid WLR Inc. a fee of approximately \$6 million as an inducement to cause WLR Inc., or WLR Inc. to cause its affiliates, to enter into the Advisory Services Agreement, the Syndication Agreement, the Railcar Remarketing and Management Agreement and the Line of Credit Participation Letter Agreement.

Under the Railcar Remarketing and Management Agreement (the Management Agreement) GMS was appointed exclusive manager and remarketer of the portfolio of railcars, and will receive a management fee to be set forth in agreed upon supplements to the Management Agreement. Pursuant to the initial supplement for the nearly 4,000 railcars, GMS will receive a management fee equal to a percentage of gross revenues generated by the railcar leases and gross proceeds from the sale of railcars. Unless terminated earlier in certain circumstances, each supplement terminates on either the date set forth in the supplement or when all railcars under the Supplement are disposed. The term of the initial supplement is 25 years. GLC has provided a performance guaranty for performance of GMS under the Management Agreement. GMS previously provided limited management services for the former owners of approximately 2,500 of such 4,000 railcars.

Under the Syndication Agreement GLC was appointed as the exclusive agent for the purpose of seeking investors to purchase an interest in a portion of WLR Inc. s interest in, or newly issued equity interests of, WLR Inc. s subsidiary, Holdings, the parent corporation of Rail I. In return, GLC will receive a fee customary in the industry to be mutually agreed upon by the parties. The term of the Syndication Agreement continues until the earlier of liquidation or dissolution of Holdings, any sale of all of WLR Inc. s interest in Holdings or any foreclosure by the senior lenders on the assets of Rail I.

Under the Advisory Services Agreement GLC was appointed as an exclusive consultant to WLR Inc. to provide WLR Inc. advice with respect to the railcar industry, including the railcar leasing industry and other matters. GLC shall receive incentive compensation equal to a percentage, which may increase in certain circumstances, of the distributions of Holdings to WLR Inc. related to the performance of the railcar leasing portfolios owned by its subsidiaries. In addition, GLC is entitled to a success fee payable upon closing of an issuance, sale or other transfer of any interests of Holdings or Rail I to a third party equal to a percentage of the amount paid by such third party for the interest, less certain expenses. The term of the agreement continues until the sale, liquidation or dissolution of Holdings and Rail I. WLR Inc. may also engage GLC to assist with refinancing indebtedness of Rail I in which case GLC shall be appointed as the exclusive consultant.

Under the Line of Credit Participation Letter Agreement GLC has the right to participate in up to \$2.625 million of funding under the line of credit extended by WLR Inc. to Rail I in the future.

The exact dollar value of the above railcar leasing portfolio transactions cannot readily be determined as it is based on a number of variables that have not yet been achieved or measured.

Certain confidential commercial and financial information regarding the agreements related to the railcar leasing portfolio transactions described above has been omitted and such information and agreements have been granted confidential treatment by the Securities and Exchange Commission pursuant to a Confidential Treatment Request under Rule 24b-2 of the Securities Exchange Act of 1934, as amended (the Exchange Act).

On August 18, 2010, GLC and WLR Inc. entered into an amendment (Amendment) of the Syndication Agreement. Pursuant to the Amendment, GLC paid Holdings a \$130,000 fee to delete certain obligations of GLC that would require registration of GLC or its affiliates as a broker dealer under the federal and state securities laws and agreed to pay Holdings reasonable out-of-pocket fees and expenses incurred in connection with the Amendment. GLC will continue to provide certain specialized services to WLR Inc. under the Syndication Agreement, for which WLR Inc. will be compensating GLC upon the terms set forth in the Syndication Agreement.

In connection with certain services originally contemplated by the Syndication Agreement, Holdings entered into an engagement letter dated August 18, 2010 (the Engagement Letter) with GSF Capital Markets, LLC (the Beneficiary), and the Beneficiary simultaneously entered into a Registered Representative Agreement with an employee of GLC in connection therewith (the Registered Representative Agreement and, together with the Engagement Letter, the Agreements). Under the Engagement Letter, the Beneficiary will act as placement agent with respect to the sale of membership interests in Holdings. Pursuant to the Amendment, GLC has agreed to indemnify Holdings to the extent Holdings is required to indemnify the Beneficiary under the Engagement Letter. The Beneficiary has made it a condition of the Agreements that the Company also provide a guarantee of the obligations of Holdings pursuant to the Engagement Letter, and on August 18, 2010, the Company entered into a Guaranty (Guaranty) for the benefit of the Beneficiary.

Under the Guaranty, the Company guarantees to the Beneficiary the due and punctual performance of all of the obligations of Holdings arising under or pursuant to the Agreements, including payment and indemnity. The Company is contingently liable under the Guaranty and could become directly liable for payment and performance under the Engagement Letter if Holdings defaults on its obligations thereunder. The exact dollar value of the above transactions cannot readily be determined as it is based on a number of variables that have not yet occurred or cannot yet be measured and depends, in part, upon the amount of funds raised by Holdings from a new investor or investors, as contemplated by the Agreements. The Company is unable to determine at this time the maximum potential amount of future payments that the Company could be required to make under the Guaranty. The Company's liability, if any, under the Guaranty could exceed the ultimate purchase price of the sale of membership interests in Holdings eventually sold. The Company believes the likelihood of the Company being required to make payments pursuant to the Guaranty is remote. For accounting purposes, the Company will be required to establish a fair value on the Guaranty and the Company currently believes the fair value of the Guaranty is immaterial. The Guaranty is accounted for as an off balance sheet arrangement.

The Amendment, the Agreements and the Guaranty described above were ratified by a majority of the disinterested and independent directors of the Company's Board of Directors on November 10, 2010.

Aircraft Usage Policy. William A. Furman, Director, President and Chief Executive Officer of the Company, is a 50% owner of two private aircraft managed by a private independent management company. From time to time, the Company's business requires charter use of privately owned aircraft. In such instances, it is possible that charters may be placed with the company that manages Mr. Furman's aircraft. In such event, any such use will be subject to the Company's travel and entertainment policy, and the fees paid to the management company will be no less favorable than would have been available to the Company for similar services provided by unrelated parties. During 2011, the Company placed charters with the company that manages Mr. Furman's aircraft aggregating \$10,000.

Indebtedness of Management. Since the beginning of our last fiscal year, none of our directors or executive officers has been indebted to us in excess of \$120,000.

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

Executive Officers of the Company

The following are executive officers of the Company:

William A. Furman, 67, is President, Chief Executive Officer and a director of the Company, positions he has held since 1994. Mr. Furman was Vice President of the Company, or its predecessor company, from 1974 to 1994. Mr. Furman serves as a director of Schnitzer Steel Industries, Inc., a steel recycling and manufacturing company.

Martin R. Baker, 56, is Senior Vice President, Chief Compliance Officer and General Counsel, a position he has held since May 2008. Prior to joining the Company, Mr. Baker held corporate officer positions with Lattice Semiconductor Corporation since 1997.

Alejandro Centurion, 55, is President of Manufacturing Operations, a position he has held since May of 2007. Mr. Centurion joined the Company in 2005, as the Company's managing director of Gunderson-Concarril and its chief country representative in Mexico. Later in 2005, he was promoted to Senior Vice President, North American Manufacturing Operations. Prior to joining the Company, he held senior manufacturing positions with Bombardier Transportation for eight years.

James W. Cruckshank, 56, is Senior Vice President and Chief Accounting Officer, a position he has held since April 2008. Prior to joining the Company, Mr. Cruckshank held corporate officer positions with MathStar, Inc. since 2005. He was Chief Financial Officer of Synetics Solutions, Inc. from 2004 to 2005.

William G. Glenn, 50, is Senior Vice President Strategic Planning and Chief Commercial Officer, a position he has held since June 2009. Prior to becoming Senior Vice President, Mr. Glenn was Vice President of Corporate Development and Staff, a position he had held since April 2007. Prior to joining the Company, Mr. Glenn worked as a consultant for the Company on corporate development from 2002 through 2007.

Lorie L. Leeson, 44, is Vice President, Corporate Finance and Treasurer, a position she has held since June 2009. Prior to becoming Treasurer, Ms. Leeson was Vice President Corporate Finance and Assistant Treasurer since November 2007 and Assistant Vice President, Corporate Finance since 2004.

Maren J. Malik, 60, is Vice President of Administration of the Company, a position she has held since June 1991. Prior to 1991 Ms. Malik served in various financial and management positions for the Company's predecessor company.

Anne T. Manning, 48, is Vice President and Corporate Controller of the Company, a position she has held since November 2007. Ms. Manning has served in various financial management positions for the Company since 1995, most recently as Assistant Corporate Controller.

Mark J. Rittenbaum, 54, is Executive Vice President and Chief Financial Officer, a position he has held since January 2008. Prior to becoming Executive Vice President he was Senior Vice President and Treasurer of the Company since 2001 and Vice President and Treasurer from 1994 to 2001.

James T. Sharp, 57, is President of Greenbrier Leasing Company LLC, a position he has held since February 2004, prior to which he served as Vice President of Marketing and Operations since 1999 and was Vice President of Sales from 1996 to 1999.

Timothy A. Stuckey, 61, is President of Gunderson Rail Services LLC, doing business as Greenbrier Rail Services, a subsidiary engaged in the repair and refurbishment of rail cars. He has served as President since May 1999.

Executive officers are designated by the Board of Directors. There are no family relationships among any of the executive officers of the Company.

EXECUTIVE COMPENSATION

Compensation Governance

The Compensation Committee of the Board of Directors is established pursuant to the Company's Amended and Restated Bylaws, and operates pursuant to a Charter approved by the Board of Directors. A copy of the Charter is available to shareholders without charge upon request to: Investor Relations, The Greenbrier Companies, Inc., One Centerpointe Drive, Suite 200, Lake Oswego, Oregon 97035 or on the Company's website at <http://www.gbrx.com>. The Compensation Committee recommends to the Board of Directors policies and processes for the regular and orderly review of the performance and compensation of the Company's senior executive management personnel, including the President and Chief Executive Officer. The Compensation Committee determines the compensation level of the Chief Executive Officer based on the Chief Executive Officer's performance in light of the Company's goals and objectives. The Compensation Committee also approves compensation of executives other than the Chief Executive Officer based on recommendations made by the Chief Executive Officer. The Compensation Committee regularly reviews and, when necessary, recommends changes to the Company's incentive and performance-based compensation plans. The Compensation Committee

has sole authority to retain and terminate such consultants, counsel, experts and other personnel as the Committee may deem necessary to enable it to fully perform its duties and fulfill its responsibilities, and to determine the compensation and other terms of engagement for such consultants and experts. There are no express provisions in the Charter delegating Compensation Committee authority to any other person.

The Compensation Committee is comprised of at least two members of the Board of Directors, none of whom may be an active or retired officer or employee of the Company or any of its subsidiaries. Members of the Compensation Committee are appointed annually by the Board of Directors. Messrs. Graeme A. Jack, Duane C. McDougall, Charles J. Swindells, Donald A. Washburn, and Benjamin R. Whiteley were the members of the Compensation Committee during fiscal 2011. Mr. Jack is the Chairman of the Compensation Committee. The Compensation Committee held five meetings during the year ended August 31, 2011.

Compensation Committee Interlocks and Insider Participation

During the last completed fiscal year, no member of the Compensation Committee was an officer or employee of the Company or any of its subsidiaries, was formerly an officer or employee, or had a relationship with the Company requiring disclosure as a related party transaction.

Compensation Discussion and Analysis

Philosophy

During fiscal 2011 the Compensation Committee undertook an analysis of the Company's compensation philosophy, programs and practices, in conjunction with the Company's more general focus on maximizing operational excellence throughout the Company's business. An integral feature of that initiative involved an evaluation and restructuring of the theory and programs of compensation employed by the Company.

The Company's incentive compensation programs have historically been heavily weighted toward flexibility in light of the cyclicity of the rail supply business, utilizing short-term discretionary bonuses awarded on a non-formulaic basis, and the use of both time-vesting and performance-vesting restricted stock. During fiscal 2011 the Company implemented a more formula-based short-term incentive plan pursuant to which the Company's officers and employees may earn bonuses based on the Company's performance measured by financial performance metrics and pre-established individual and business unit performance goals. Target bonus amounts for each individual executive officer are established as a percentage of annual base salary, depending upon position and responsibility. The fiscal 2011 bonus program is explained in greater detail under the heading "Short-Term Incentives - Cash Bonuses."

The changes to the Company's compensation practices and programs adopted during fiscal 2011 strengthen the link between pay and performance and the alignment between the interests of the Company's shareholders and its executive officers and employees. The Board of Directors and executive management of the Company believe that executive pay should be linked to performance of the Company and the individual executive, and should be designed to attract, retain and motivate the executives necessary to accomplish the Company's business strategy. To achieve these ends, the Compensation Committee believes that:

Compensation for executives and key employees should be weighted toward incentive compensation and equity grants.

Incentive compensation should be linked to both Company and individual performance. Individual performance goals should reinforce cooperation and teamwork in achieving business success. Company performance goals should be responsive to the Company's cyclical business environment.

Incentive compensation should strike a balance between short-term and long-term performance.

Compensation levels should be sufficiently competitive to attract, retain and motivate highly qualified executives and employees and should reflect position and responsibility.

Equity grants should be targeted to senior management and key employees and should be issued on a recurring basis considering market conditions.

Administrative costs should be minimized through simplified program structures.

The tax deductibility of compensation should be maximized where possible consistent with the overall goals of the compensation program.

The Chief Executive Officer (CEO) makes recommendations to the Compensation Committee regarding the compensation of the other executive officers, including proposed salary adjustments, the number of restricted shares to be awarded to each executive officer and each executive officer's annual incentive award targets. The Compensation Committee also discusses with the CEO annually the performance of each executive officer (other than the CEO, whose performance is reviewed by the Compensation Committee) and the achievement of the executive officer's individual performance goals. The Compensation Committee approves the compensation of the executive officers based upon these discussions, the CEO's recommendations and in light of the Company's compensation philosophy.

Use of Compensation Consultants

The Compensation Committee has directly engaged Mercer Human Resource Consulting (Mercer) as an executive compensation consultant. Mercer reports directly to the Compensation Committee and is responsible for providing advice and counsel to the Compensation Committee on program design and compensation issues. During fiscal 2011 the Compensation Committee received a report from Mercer regarding market trends in restoration of base salaries and an executive compensation survey. The Compensation Committee also obtained input from Mercer on the structure of its new formula-based short-term incentive plan, all of the elements of which Mercer determined to be consistent with market practices.

The Compensation Committee also looks to Mercer for assistance in determining a peer group for comparison of executive compensation. The Committee believes that information regarding compensation at peer companies is useful because it understands that the Company's compensation practices must be competitive in the marketplace. However, the Company does not specifically rely on benchmarks of compensation against its peers; rather, the level of specific elements of compensation awarded by peer companies is only one of the many factors that the Company considers in assessing the reasonableness of the compensation of its executive officers.

The Compensation Committee redefined its peer group in July 2010, in consultation with Mercer. The Compensation Committee will, in consultation with Mercer, periodically review the companies included in the comparison peer group to determine if they remain appropriate for inclusion in terms of size, industry and other factors. The Company's current peer group includes the fifteen companies listed in the table below, which include three direct peers in the railcar industry¹; four heavy manufacturing companies²; two after-market railcar products companies³; three companies that lease high-value equipment⁴; and three manufacturing companies that compete for employees in the Company's local labor markets⁵.

PEER GROUP COMPANIES

Company	GIC Sub-Industry
American Railcar Industries ¹	Construction & Farm Machinery & Heavy Trucks
Astec Industries ²	Construction & Farm Machinery & Heavy Trucks
Blount ⁵	Industrial Machinery
Columbus McKinnon ²	Industrial Machinery
Esterline Technologies ⁵	Aerospace & Defense
FreightCar America ¹	Construction & Farm Machinery & Heavy Trucks
GATX ⁴	Trading Companies & Distributors
H&E Equipment Services ⁴	Trading Companies & Distributors
L.B. Foster ²	Industrial Machinery
Schnitzer Steel Industries ⁵	Steel
Trinity Industries ¹	Construction & Farm Machinery & Heavy Trucks
United Rentals ⁴	Trading Companies & Distributors
WABCO Holdings Inc. ³	Construction & Farm Machinery & Heavy Trucks
Wabash National ²	Construction & Farm Machinery & Heavy Trucks
Wabtec ³	Construction & Farm Machinery & Heavy Trucks

Compensation Summaries

The Compensation Committee reviews the total annual compensation received by each executive officer, including base salary, cash bonuses, long-term incentives, accumulative realized and unrealized stock option and restricted stock gains, dollar value of perquisites and other personal benefits, and post-employment benefits, including actual current contributions by the Company to fund benefits under the Company's supplemental executive retirement plan. The Compensation Committee uses compensation summaries which include dollar amounts for each of the named executive officers to facilitate this review. For the year ended August 31, 2011, Mercer compared the compensation of the Company's named executive officers to benchmarks derived from peer group compensation and data from comparative market surveys. Total compensation is below the median for each named executive officer.

Elements of Executive Compensation

For the year ended August 31, 2011, the principal components of compensation for executive officers were:

Base salary;

Short-term incentives – cash bonus;

Long-term incentives – restricted stock awards;

Retirement and insurance benefits;

Perquisites and other personal benefits; and

Post-employment benefits.

Base Salary

Base salaries are determined for each executive based on his or her position and responsibilities relative to other executive officers and are, in some cases, determined pursuant to negotiated employment agreements. We

regularly monitor competitive compensation rates in local and industry-specific markets and take that information into account in setting and reviewing base salaries. Salary levels are typically reviewed annually as part of the Company's performance review process as well as upon an executive's promotion or other change in responsibility. Merit-based increases to salaries are based on an assessment of the individual executive's performance.

In March 2009, the Company implemented certain cost-cutting measures, including reduction in base salaries for the Company's executive officers, due to depressed macroeconomic conditions and continued softness in the railroad supply market. In light of the Company's improved financial condition and performance, fifty percent of the salary reductions taken by the Company's executive officers (other than Mr. Furman) and 3.5% of Mr. Furman's salary reduction were restored effective December 1, 2010. Base salaries of all executive officers (including Mr. Furman) were fully restored effective July 1, 2011 to levels in effect prior to the March 2009 reductions.

The Compensation Committee reviewed competitive salary information provided by Mercer and determined that base salaries of most of the Company's executive officers, including its named executive officers, remained below market median, even after the base salary restorations. After reviewing the Company's financial performance through the third fiscal quarter of 2011 and determining that the Company had achieved profitability (adjusted for unusual and non-recurring items), and considering the value to the Company of retaining highly skilled and knowledgeable executives and the flight risk presented by paying below market median salaries, the Compensation Committee approved salary increases for certain of the Company's executive officers effective as of July 1, 2011, including named executive officers Mark Rittenbaum, Timothy Stuckey and Martin Baker. Named executive officer Alejandro Centurion received a base salary increase effective December 1, 2010, in connection with the assumption of increased operating responsibilities and to set his base salary near the market median. See Material Terms of Employment Agreements and Other Arrangements for further detail regarding these salary increases.

Short-Term Incentives Cash Bonuses

Cash bonuses are intended to reward executive officers for achievement of primarily short-term Company, business unit and individual performance goals. As discussed above, historically the Company's bonus program has been non-formulaic and discretionary. The new bonus program adopted in fiscal 2011 utilizes a more formulaic structure, in order to reward executive officers for the Company's achievement of financial performance goals and individual achievement of pre-established individual and business unit performance goals. The fiscal 2011 bonus program was adopted in May 2011 to apply to the balance of fiscal 2011. The bonus program was designed to drive specific behaviors toward clearly defined short-term goals that are expected to add long-term value to the Company. The bonus program places a significant percentage of each executive officer's total compensation at risk.

To determine the overall bonus pool for the fiscal 2011 bonus program, the Committee utilized two financial performance measures relating to the Company. The first measure, Adjusted EBITDA, is defined as earnings before interest, taxes, depreciation and amortization, adjusted for special and non-recurring items, in the discretion of the Compensation Committee and calculated before subtracting from EBITDA the amount of the bonus pool itself. The second measure, Working Capital, is defined in terms of increased efficiency in usage of working capital related to inventory, accounts receivable and accounts payable. Working Capital efficiency is measured by the number of days it takes to convert Working Capital to cash in each of our business segments, taking into account the ramping up of business activities. Separate bonus pools were established based on the level of performance measured against Adjusted EBITDA and Working Capital performance targets goals, but funding of both pools is contingent upon achievement of a minimum threshold Adjusted EBITDA.

The Adjusted EBITDA and Working Capital goals were set based upon the Company's forecast and outlook for the remainder of fiscal 2011 at the time the targets were established. We do not disclose our internal budget or forecast for results of operations, including budgeted or forecasted EBITDA or working capital goals, as we believe that disclosure of that information, whether with respect to historical periods or future periods, would cause us competitive harm by disclosing to competitors key elements of our internal projections. We set Adjusted

EBITDA and Working Capital goals at levels that the Committee considered challenging but achievable based on conditions at that time, including the continuing impact of the global financial and economic crisis, more recent forecasts, the Company's improved financial outlook, operational improvements and the cyclical nature of our business. We set goals that were sufficiently challenging to maximize performance of the Company's employees, but that were sufficiently achievable to motivate our employees to perform at high levels. The Committee determined that the expected probability of achieving the threshold Adjusted EBITDA and Working Capital performance levels was 80% and the probability of achieving target levels was 60%. If Adjusted EBITDA is below the minimum threshold, no Adjusted EBITDA or Working Capital bonus pool would fund, but a default bonus pool of between \$750,000 and \$1 million would fund, in an amount determined in the discretion of the Chief Executive Officer, to reward outstanding individual success for key performers, measured against specific individual performance goals, with any bonuses awarded to executive officers subject to approval of the Compensation Committee. The Company's Adjusted EBITDA for fiscal 2011 (before establishment of the bonus pool) was \$104.6 million, which resulted in an Adjusted EBITDA bonus pool of \$2.6 million. The Company achieved increased efficiencies in usage of Working Capital of \$38.4 million during fiscal 2011. This result was in excess of 100% of the Company's Working Capital target goal, resulting in a \$1.0 million Working Capital bonus pool. The total bonus pool available for bonuses to all employees and executive officers of the Company for fiscal 2011 was \$3.6 million. Of that amount, a total of \$609,263 was awarded, in the aggregate, in bonuses to the Company's named executive officers.

Pursuant to the fiscal 2011 bonus program, in addition to the corporate Adjusted EBITDA and Working Capital goals, the Committee adopted specific individual and business unit performance goals for each of the Company's executive officers, set a maximum bonus amount for each executive officer as a percentage of fully reinstated annual base salary (before salary increases that were approved effective July 1, 2011, described below under "Material Terms of Employment Agreements and Other Arrangements"), and weighted the allocation of each officer's total bonus opportunity amount among the financial and individual and business unit performance goals. The percentages of base salary established as maximum bonus amounts for fiscal 2011 were reflective of the partial year covered by the fiscal 2011 bonus program. The Compensation Committee retained discretion to adjust the amount of individual bonuses based on extraordinary performance or circumstances.

Mr. Furman, Chief Executive Officer and President of the Company, was eligible to earn a maximum bonus equal to 60% of his base salary, which equals \$450,000. Of the total bonus opportunity, 15% percent of the bonus amount was allocated to achievement of the Adjusted EBITDA performance goals, 10% was allocated to achievement of the Working Capital performance goals, and 75% was allocated to individual and corporate performance goals. Mr. Furman's individual and corporate performance goals included goals related to execution of leasing operations strategies; implementation of operational efficiencies; improving manufacturing operations; and succession planning goals.

The Compensation Committee determined that Mr. Furman earned 62% of his maximum potential bonus amount, which consists of 10% based upon the Company's achievement of its Adjusted EBITDA performance goals; 7% based upon the Company's achievement of its Working Capital performance goals; and 45% based upon achievement of individual and corporate performance goals. The aggregate amount of bonus awarded to Mr. Furman in respect of fiscal 2011 was \$279,000.

Mr. Rittenbaum, Chief Financial Officer and Executive Vice President of the Company, was eligible to earn a maximum bonus equal to 45% of his base salary, which equals \$128,250. Of the total bonus opportunity, 15% percent of the bonus amount was allocated to achievement of the Adjusted EBITDA performance goals, 15% was allocated to achievement of the Working Capital performance goals, and 70% was allocated to individual and corporate performance goals. Mr. Rittenbaum's individual and corporate performance goals included goals related to financial matters, including financings; succession planning; implementation of operational efficiencies and other corporate matters.

The Compensation Committee determined that Mr. Rittenbaum earned 76% of his maximum potential bonus amount, which consists of 10% based upon the Company's achievement of its Adjusted EBITDA performance goals; 10% based upon the Company's achievement of its Working Capital performance goals; and 56% based upon achievement of individual and corporate performance goals. The aggregate amount of bonus awarded to Mr. Rittenbaum in respect of fiscal 2011 was \$97,470.

Mr. Centurion, President of Greenbrier Manufacturing Operations (GMO), was eligible to earn a maximum bonus equal to 35% of his base salary, which equals \$113,750. Of the total bonus opportunity, 35% percent of the bonus amount was allocated to achievement of GMO pre-tax earnings performance goals, 15% was allocated to achievement of GMO working capital goals, and 50% was allocated to individual and GMO business unit performance goals. Mr. Centurion s individual and GMO business unit performance goals included improving manufacturing efficiencies and capacity; and goals related to workplace safety.

The Compensation Committee determined that Mr. Centurion earned 96% of his maximum potential bonus amount, which consists of 35% based upon GMO s achievement of its pre-tax earnings goals and 11% based upon GMO s achievement of its working capital goals, and 50% based upon achievement of individual and GMO business unit performance goals. The aggregate amount of bonus awarded to Mr. Centurion in respect of fiscal 2011 was \$109,200.

Mr. Stuckey, President of Greenbrier Rail Services (GRS), was eligible to earn a maximum bonus equal to 30% of his base salary, which equals \$78,000. Of the total bonus opportunity, 25% percent of the maximum bonus amount was allocated to achievement of GRS pre-tax earnings performance goals, 15% was allocated to achievement of GRS working capital performance goals, and 60% was allocated to individual and GRS business unit performance goals. Mr. Stuckey s individual and GRS business unit performance goals included goals related to increasing business unit revenue; succession planning goals; goals related to workplace safety; and goals related to implementation of business unit strategy and efficiencies.

The Compensation Committee determined that Mr. Stuckey earned 76% of his maximum potential bonus amount, which consists of 10% based upon the achievement of GRS s pre-tax earnings performance goals, 15% based upon the achievement GRS s of its working capital performance goals, and 51% based upon achievement of individual and GRS business unit performance goals. The aggregate amount of bonus awarded to Mr. Stuckey in respect of fiscal 2011 was \$59,280.

Mr. Baker, Senior Vice President, Chief Compliance Officer and General Counsel of the Company, was eligible to earn a maximum bonus equal to 35% of his base salary, which equals \$85,750. Of the total bonus opportunity, 15% percent of the bonus amount was allocated to achievement of the Adjusted EBITDA performance goals, 5% was allocated to achievement of the Working Capital performance goals, and 80% was allocated to individual and corporate performance goals. Mr. Baker s individual and corporate performance goals included goals related to financings; and goals related to human resources and other operational matters.

The Compensation Committee determined that Mr. Baker earned 75% of his maximum potential bonus amount, which consists of 15% based upon the Company s achievement of its Adjusted EBITDA performance goals, 5% based upon the Company s achievement of its Working Capital performance goals, and 55% based upon achievement of individual and corporate goals. The aggregate amount of bonus awarded to Mr. Baker in respect of fiscal 2011 was \$64,313.

Long-Term Incentive Restricted Stock Awards

Awards of restricted stock form the basis of the Company s long-term incentive program, which is intended to retain and motivate executives over the long term, and align their interests with the interests of the Company s shareholders. The long-term incentive program is designed to emphasize the need for executives to focus on the long-range strategic goals of the Company.

Stock-based awards are made pursuant to the Company s 2010 Amended and Restated Stock Incentive Plan (the 2010 Stock Incentive Plan), which was approved by the Company s shareholders in January 2011, amending, restating and renaming the Company s 2005 Stock Incentive Plan. The 2010 Stock Incentive Plan is administered by the Compensation Committee, and provides for awards of incentive stock options, non-qualified stock options and restricted stock awards to officers, directors, employees, and consultants of the Company. The 2010 Stock Incentive Plan was amended in January 2011 to increase the total number of shares available for issuance under the Plan by 1,000,000, to an aggregate of 2,825,000, since inception of the Plan in 2005. As of August 31, 2011, 720,047 shares of Common Stock remained available for grant under the 2010 Stock Incentive Plan.

The Company awarded restricted stock grants totaling 309,380 shares under the 2010 Stock Incentive Plan during fiscal 2011, including 108,000 shares awarded to the Company's named executive officers as disclosed in the Grants of Plan-Based Awards Table and described in the accompanying narrative.

Executive Retirement and Insurance Benefits

Target Benefit Plan

Certain of the Company's executive officers, including all named executive officers other than Mr. Furman and Mr. Baker, participate in a supplemental retirement benefit plan maintained by a Company subsidiary, the Greenbrier Leasing Company LLC Manager Owned Target Benefit Plan (the Target Benefit Plan). The Target Benefit Plan provides for supplemental retirement income compensation for participating executives. It is not a deferred compensation plan nor a tax-qualified retirement plan; contributions made on behalf of executives under the Target Benefit Plan are taxed to the participating executives currently. The Target Benefit Plan is designed to provide supplemental retirement income to executives in an amount equal to 50% of the executive's final base salary, although no level of benefits is guaranteed under the Target Benefit Plan. Contributions by the Company to the Target Benefit Plan are used to purchase annuity contracts that are owned by participating executives. The Company also pays participants tax gross-up payments to defray the taxes resulting from the Target Benefit Plan contributions. In order to determine the Company's contribution under the Target Benefit Plan, the Company projects the executive's annual salary at age 65 by taking the executive's current annual base salary, adjusting it for assumed future salary increases including cost of living increases, compounded annually, until the executive reaches age 65. Using that projected annual salary at age 65, the Company determines the amount of annuities necessary, in light of prior annuity purchases and future anticipated purchases, to reach the target benefit of 50% of final year base salary. The Company, however, has discretion to purchase, or not purchase, annuities in any given year sufficient to cover such estimated target benefits for plan participants. The normal form of annuity benefit payments are monthly payments commencing at age 65 and continuing for 180 months. Participants own the individual annuity contracts and accordingly may independently negotiate a different form of payment and benefit commencement date with the annuity provider.

The Target Benefit Plan was amended during fiscal 2011 to revise the Company's obligation to make accelerated contributions on executives behalf in the event of a change of control (as defined in the Target Benefit Plan). As amended, the Company is only obligated to make an accelerated contribution on behalf of a participant whose employment is terminated within 24 months following a change of control. Prior to the amendment, the Company's obligation to make contributions on behalf of all participants was accelerated upon a change in control.

Executive Life Insurance

The Company provides an executive life insurance program to certain executives, including the named executive officers, whereby the Company has agreed to pay the premiums on life insurance policies insuring the executives' lives, to recognize such premium payments as compensation to the executives, and to pay the executives an additional bonus to help defray the executives' income tax liability resulting from the payment of such premiums being treated as current compensation. Mr. Furman does not participate in the executive life insurance program.

Mr. Furman's employment agreement provides for a supplemental retirement benefit of \$407,000 per year, payable until age 70. Of this payment, \$185,000 is intended to defray the premiums on a life insurance policy insuring his life and the remainder, \$222,000, is intended to defray the income taxes resulting from treating this payment as compensation. The Company remits \$185,000 of the benefit amount to the trustee of a trust that holds the life insurance policy for payment of the annual premium. The Company directly remits the remaining \$222,000 to the appropriate state and federal tax authorities.

Nonqualified Deferred Compensation Plan

The Company sponsors a nonqualified deferred compensation plan which permits selected participants to elect to defer a portion of their base salary in excess of amounts that may be deferred under the Company's

tax-qualified 401(k) plan, and to direct the investment of amounts credited to their accounts among a range of investment options similar to those available under the Company's 401(k) plan. The nonqualified deferred compensation plan also allows the Company to make discretionary employer contributions to the plan. The nonqualified deferred compensation plan was amended during fiscal 2011 to permit participants to elect to defer receipt of shares of restricted stock awards under the Company's 2010 Stock Incentive Plan. Mr. Centurion elected to participate in the nonqualified deferred compensation plan in 2011; the Company's other named executive officers did not participate in the plan. The Company did not make any employer contributions to the plan during fiscal 2011.

Perquisites and Other Personal Benefits

The Company provides executive officers with perquisites and other personal benefits that the Company and the Compensation Committee believe are reasonable and consistent with its overall compensation program goal of enabling the Company to attract, retain, and motivate employees for key positions. The Company is selective in its use of perquisites, utilizing perquisites that are commonly provided, the value of which is generally modest. The Compensation Committee periodically reviews the levels of perquisites provided to executive officers. The primary perquisites are use of Company-owned automobiles or automobile allowances, and payment of club membership dues. The Company may assist selected transferred or newly hired executives in selling their homes, in order to facilitate a successful relocation of the executive, pursuant to its Executive Home Sale Assistance Program.

Tax Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code generally limits to \$1,000,000 per person the amount that we may deduct for compensation paid in any year to any of the named executive officers. The Committee's policy is to structure executive compensation to maximize the deductibility of compensation where feasible consistent with our overall compensation objectives. The Committee has structured some of our compensation programs to qualify as performance-based compensation not subject to the \$1,000,000 cap on deductibility. Other compensation programs may not qualify as performance-based compensation under Section 162(m) because they involve individual or non-objective performance measures, the Committee retains discretion in applying the performance criteria, or the performance criteria have not been submitted to or approved by the Company's shareholders. The fiscal 2011 annual incentive bonuses for named executive officers did not qualify as performance-based compensation under Section 162(m), with the result that a portion of the compensation paid to Mr. Furman for fiscal 2011 will not be deductible by us. Section 162(m) did not limit deductibility of compensation paid to any other named executive officer for fiscal 2011.

COMPENSATION COMMITTEE REPORT

As required by Item 407(e)(5) of Regulation S-K, the Compensation Committee reviewed and discussed with the Company's management the above section entitled "Compensation Discussion and Analysis" prepared by the Company's management as required by Item 402(b) of Regulation S-K. Based on the review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into the Company's Annual Report on Form 10-K for the year ended August 31, 2011.

Graeme A. Jack, Chairman

Duane C. McDougall

Charles J. Swindells

Donald A. Washburn

Benjamin R. Whiteley

November 1, 2011

SUMMARY COMPENSATION TABLE

The following table summarizes the compensation of the named executive officers for the fiscal year ended August 31, 2011. The named executive officers are William A. Furman, Mark J. Rittenbaum, Alejandro Centurion, Timothy A. Stuckey and Martin R. Baker. Mr. Baker was not a named executive officer in 2009 or 2010. The Company did not grant any stock options to the named executive officers in 2011. The Company does not maintain any defined benefit or actuarial pension plan, and its new nonqualified deferred compensation plan does not pay or provide for preferential or above-market earnings. Accordingly, a column for such elements of compensation is not included in the Summary Compensation Table.

Name and Principal Position	Year	Salary (\$)	Bonus ⁽¹⁾ (\$)	Stock Awards ⁽²⁾ (\$)	Non-Equity Incentive Plan	All Other ⁽³⁾	Total (\$)
					Compensation (\$)	Compensation ⁽³⁾ (\$)	
William A. Furman President and Chief Executive Officer	2011	452,813	279,000	1,352,400	N/A	442,630	2,526,843
	2010	375,000	N/A	-0-	-0-	443,850	818,850
Mark J. Rittenbaum Executive Vice President and Chief Financial Officer	2009	562,500	N/A	836,000	-0-	441,807	1,840,307
	2011	280,704	97,470	383,200	N/A	41,581	802,955
Alejandro Centurion President, Greenbrier Manufacturing Operation	2010	249,375	-0-	155,870	N/A	41,425	446,670
	2009	267,188	-0-	418,000	N/A	150,885	836,073
Timothy A. Stuckey President, Greenbrier	2011	306,094	109,200	287,400	N/A	65,724	768,418
	2010	249,375	-0-	125,895	N/A	62,082	437,352
Rail Services Martin R. Baker Senior Vice President, Chief Compliance Officer and General Counsel	2009	267,188	-0-	200,640	N/A	207,650	675,478
	2011	245,136	59,280	239,500	N/A	76,535	620,451
Rail Services Martin R. Baker Senior Vice President, Chief Compliance Officer and General Counsel	2010	227,500	-0-	125,895	N/A	79,264	432,659
	2009	243,750	-0-	200,640	N/A	234,010	678,400
2011	237,284	64,313	239,500	N/A	65,568	606,665	

(1) Represents bonuses earned by each named executive officer under the fiscal 2011 bonus program. Although the fiscal 2011 bonus program includes formulaic elements, the bonuses are not treated as non-equity incentive plan compensation due to the subjective nature of individual performance measures and Compensation Committee discretion to adjust amounts earned for achievement of Company financial goals. See Compensation Discussion and Analysis Short-Term Incentives Cash Bonuses.

(2) Represents the aggregate grant date fair value computed in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures. For purposes of valuation of stock awards, we assume that no shares will be forfeited and performance goals will be achieved at target levels. These amounts reflect the grant date fair value and may not correspond to the actual value that will be recognized by the named executive officers. One-half of each restricted stock grant is time-vested and will vest in annual installments on the first, second and third anniversary of the grant date, based on continued employment with the Company. One-half of each restricted stock grant is performance-vested. For the performance-vested shares, the grant date fair value is calculated based on the target number of shares which, as of the grant date, was the estimated number of shares to be issued. If the Company achieves its stretch performance goals as of the end of the performance period, each NEO will receive an additional grant of fully vested shares equal to the number of performance-vested shares awarded during fiscal year 2011. Such additional shares, if issued, will be valued as of the date of issuance. If, for purposes of this footnote, the maximum number of shares issuable under the performance-vested share awards, including such additional shares (valued as of the date of the original award because the share value as of the date of issuance after the end of the performance period received is not known at this time), had been used in this calculation in lieu of the target number of shares, the amounts in the table for fiscal 2011 would have been

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\$2,028,600 for Mr. Furman, \$574,800 for Mr. Rittenbaum, \$431,100 for Mr. Centurion, \$359,250 for Mr. Stuckey and \$359,250 for Mr. Baker.

(3) See All Other Compensation Table for Fiscal 2011 below for detail on amounts included in this column, which include perquisites, contributions to the Target Benefit Plan, tax reimbursement payments, Company match on executive contributions to the 401(k) plan, executive life insurance program benefits and various other compensation amounts.

All Other Compensation Table for Fiscal 2011

Name	Perquisites and Personal Benefits (\$)	Target Benefit Plan Contributions (\$) ⁽¹⁾	401(k) Matching Contributions ⁽²⁾ (\$)	Executive Life Insurance (\$)	Tax Reimbursement Payments (\$) ⁽⁶⁾	Other (\$)	Total (\$)
	William A. Furman	35,630 ⁽³⁾	-0-	-0-	185,000 ⁽⁴⁾	222,000	-0-
Mark J. Rittenbaum	10,810 ⁽³⁾	-0-	8,771	11,000 ⁽⁵⁾	11,000	-0-	41,581
Alejandro Centurion	24,990 ⁽³⁾	-0-	6,734	17,000 ⁽⁵⁾	17,000	-0-	65,724
Timothy A. Stuckey	18,046 ⁽³⁾	-0-	8,289	25,100 ⁽⁵⁾	25,100	-0-	76,535
Martin R. Baker	9,600 ⁽³⁾	NA	7,968	24,000 ⁽⁵⁾	24,000	-0-	65,568

(1) These amounts represent the Company's contributions under the Target Benefit Plan made on behalf of the named executive officer with respect to the plan year ended December 31, 2010.

(2) Perceptions by members of the health care community, including physicians, about the safety and effectiveness of our products;

Pharmacological benefit and cost-effectiveness of our products relative to competing products;

Availability of reimbursement for our products from government or other healthcare payors;

Effectiveness of marketing and distribution efforts by us and our licensees and distributors, if any; and

The price at which we sell our products.

Because we expect sales of our current product candidates, if approved, to generate substantially all of our product revenues for the foreseeable future, the failure of a drug to find market acceptance would harm our business and could require us to seek additional financing in order to fund the development of future product candidates.

Our ability to generate product revenues will be diminished if our products sell for inadequate prices or patients are unable to obtain adequate levels of reimbursement.

Our ability to commercialize our drugs, alone or with collaborators, will depend in part on the extent to which reimbursement will be available from:

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Government and health administration authorities;
Private health maintenance organizations and health insurers; and
Other healthcare payers.

Government and other healthcare payers increasingly attempt to contain healthcare costs by limiting both coverage and the level of reimbursement for drugs. As a result, we cannot provide any assurances that third-party payors will provide adequate coverage of and reimbursement for any of our product candidates. If we are unable to obtain adequate coverage of and payment levels for our product candidates from third-party payors, physicians may limit how much or under what circumstances they will prescribe or administer them and patients may decline to purchase them. This in turn could affect our ability to successfully commercialize our products and impact our profitability and future success.

In both the United States and certain foreign jurisdictions, there have been a number of legislative and regulatory proposals and changes in recent years to change the healthcare system in ways that could impact our ability to sell our products profitably.

We cannot predict the impact on our business of any legislation or regulations that may be adopted in the future. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our products.

In addition, in many foreign countries, particularly the countries of the European Union, the pricing of prescription drugs is subject to government control. We may face competition for our product candidates from lower-priced products in foreign countries that have placed price controls on pharmaceutical products. In addition, there may be importation of foreign products that compete with our own products, which could negatively impact our profitability.

Risks Related to Our Intellectual Property

If we fail to adequately protect or enforce our intellectual property rights or secure rights to patents of others, the value of our intellectual property rights would diminish.

Our success, competitive position, and future revenues will depend in part on our ability and the abilities of our licensors to obtain and maintain patent protection for our products, methods, processes and other technologies, to preserve our trade secrets, to prevent third parties from infringing on our proprietary rights, and to operate without infringing the proprietary rights of third parties.

To date, we have exclusive rights to certain U.S. and foreign intellectual property with respect to our small molecule product candidates but are dependent on Intrexon's filings with respect to the existing Intrexon product candidates. Per the Channel Partner agreement, Intrexon has the sole right to control the filings, prosecution and maintenance of the Channel Program patents and applications. Although Intrexon has agreed to consider our comments regarding Channel Program patents and patent applications, we cannot guarantee that our comments will be solicited or followed. Without direct control of the Channel Program patents and patent applications, we are dependent on Intrexon to keep us advised of prosecution, particularly in foreign jurisdictions where prosecution information may not be publicly available. We anticipate that we and Intrexon will file additional patent applications both in the U.S. and in other countries. However, we cannot predict or guarantee:

The degree and range of protection any patents will afford us against competitors, including whether third parties will find ways to invalidate or otherwise circumvent our patents;

If and when patents will be issued;

Whether or not others will obtain patents claiming aspects similar to those covered by our patents and patent applications; or

Whether we will need to initiate litigation or administrative proceedings that may be costly whether we win or lose.

Certain technologies utilized in our research and development programs are already in the public domain. Moreover, a number of our competitors have developed technologies, filed patent applications or obtained

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patents on technologies, compositions and methods of use that are related to our business and may cover or conflict with our patent applications, technologies or product candidates. Such conflicts could limit the scope of the patents that we may be able to obtain or may result in the denial of our patent applications. In addition, our own earlier filed patents and applications or those of Intrexon may limit the scope of later patents we obtain or may result in the denial of our later filed patent applications. If third parties filed patent applications or obtained patents on technologies, compositions and methods of use that are related to our business and that cover or conflict with our patent applications, technologies or product candidates, we may be required to challenge such protection, terminate or modify our programs impacted by such protection or obtain licenses from such third parties, which might not be available on acceptable terms, or at all.

Our success also depends upon the skills, knowledge, and experience of our scientific and technical personnel, our consultants and advisors, as well as our licensors and contractors. To help protect our proprietary know-how and our inventions for which patents may be unobtainable or difficult to obtain, we rely on trade secret protection and confidentiality agreements. To this end, it is our general policy to require our employees, consultants, advisors, and contractors to enter into agreements that prohibit the disclosure of confidential information and, where applicable, require disclosure and assignment to us of the ideas, developments, discoveries, and inventions important to our business. These agreements may not provide adequate protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure or the lawful development by others of such information. If any of our trade secrets, know-how or other proprietary information is disclosed, the value of our trade secrets, know-how and other proprietary rights would be significantly impaired and our business and competitive position would suffer.

Third-party claims of intellectual property infringement would require us to spend significant time and money and could prevent us from developing or commercializing our products.

In order to protect or enforce patent rights, we or Intrexon may initiate patent litigation against third parties. Similarly, we may be sued by others. We also may become subject to proceedings conducted in the U.S. Patent and Trademark Office, including interference proceedings to determine the priority of inventions, or reexamination proceedings. In addition, any foreign patents that are granted may become subject to opposition, nullity, or revocation proceedings in foreign jurisdictions having such proceedings. The defense and prosecution, if necessary, of intellectual property actions are costly and divert technical and management personnel away from their normal responsibilities.

No patent can protect its holder from a claim of infringement of another patent. Therefore, our patent position cannot and does not provide any assurance that the commercialization of our products would not infringe the patent rights of another. While we know of no actual or threatened claim of infringement that would be material to us, there can be no assurance that such a claim will not be asserted.

If such a claim is asserted, there can be no assurance that the resolution of the claim would permit us to continue marketing the relevant product on commercially reasonable terms, if at all. We may not have sufficient resources to bring these actions to a successful conclusion. If we do not successfully defend any infringement actions to which we become a party or are unable to have infringed patents declared invalid or unenforceable, we may have to pay substantial monetary damages, which can be tripled if the infringement is deemed willful, or be required to discontinue or significantly delay commercialization and development of the affected products.

Any legal action against us or our collaborators claiming damages and seeking to enjoin developmental or marketing activities relating to affected products could, in addition to subjecting us to potential liability for damages, require us or our collaborators to obtain licenses to continue to develop, manufacture, or market the affected products. Such a license may not be available to us on commercially reasonable terms, if at all.

An adverse determination in a proceeding involving our owned or licensed intellectual property may allow entry of generic substitutes for our products.

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Other Risks Related to Our Company

We are subject to Sarbanes-Oxley and the reporting requirements of federal securities laws, which can be expensive.

As a public reporting company, we are subject to the Sarbanes-Oxley Act of 2002, as well as to the information and reporting requirements of the Securities Exchange Act of 1934, as amended, and other federal securities laws. As a result, we incur significant legal, accounting, and other expenses that we did not incur as a private company, including costs associated with our public company reporting requirements and corporate governance requirements. As an example of public reporting company requirements, we evaluate the effectiveness of disclosure controls and procedures and of our internal control over financial reporting in order to allow management to report on such controls. Sarbanes-Oxley generally requires that a public reporting company's independent registered public accounting firm attest to the effectiveness of the company's internal control over financial reporting as of the end of each fiscal year in the company's Annual Report on Form 10-K. While our management has not currently identified any material weaknesses in our internal control over financial reporting, there can be no assurance that we will not identify identified any material weaknesses during the current year or that our systems will be deemed effective when our independent registered public accounting firm reviews the systems during 2010 and tests transactions. In addition, any updates to our finance and accounting systems, procedures and controls, which may be required as a result of our ongoing analysis of internal controls, or results of testing by our independent auditor, may require significant time and expense.

Management is working to continuously monitor and improve internal controls and has set in place controls to mitigate the potential segregation of duties risk. In the event significant deficiencies or material weaknesses are identified in our internal control over financial reporting that we cannot remediate in a timely manner, investors and others may lose confidence in the reliability of our financial statements and the trading price of our common stock and ability to obtain any necessary equity or debt financing could suffer. In addition, in the event that our independent registered public accounting firm is unable to rely on our internal controls over financial reporting in connection with its audit of our financial statements, and in the further event that it is unable to devise alternative procedures in order to satisfy itself as to the material accuracy of our financial statements and related disclosures, we may be unable to file our periodic reports with the Securities and Exchange Commission. This would likely have an adverse affect on the trading price of our common stock and our ability to secure any necessary additional equity or debt financing, and could result in the delisting of our common stock from the NASDAQ Capital Market, which would severely limit the liquidity of our common stock.

Anti-takeover provisions in our charter documents and under Delaware law may make an acquisition of us, which may be beneficial to our stockholders, more difficult.

Provisions of our amended and restated certificate of incorporation and bylaws, as well as provisions of Delaware law, could make it more difficult for a third party to acquire us, even if doing so would benefit our stockholders. These provisions authorize the issuance of "blank check" preferred stock that could be issued by our board of directors to increase the number of outstanding shares and hinder a takeover attempt, and limit who may call a special meeting of stockholders. In addition, we are subject to Section 203 of the Delaware General Corporation Law. In general, this statute prohibits a publicly-held Delaware corporation from engaging in a business combination with a party that owns

at least 15% of its common stock unless the business combination is approved by the company's board of directors before the person acquires the 15% ownership stake or later by its board of directors and two-thirds of its stockholders. In connection with our January 12, 2011 issuance of shares of common stock to Intrexon Corporation in a private placement transaction (*see Recent Developments - Intrexon Corporation Private Placement and Equity Commitment*), our board of directors waived the Section 203 prohibition with respect to a future business combination with Intrexon Corporation. However, the Stock Purchase Agreement governing such issuance contains a standstill provision that generally prohibits Intrexon from seeking, initiating, offering or proposing to effect such a transaction with our inviting them to do so. Section 203 and this standstill provision could have the effect of delaying, deferring or preventing a change in control that our stockholders might consider to be in their best interests.

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Because we do not expect to pay dividends, you will not realize any income from an investment in our common stock unless and until you sell your shares at a profit.

We have never paid dividends on our capital stock and we do not anticipate that we will pay any dividends for the foreseeable future. Accordingly, any return on an investment in our Company will be realized, if at all, only when you sell shares of our common stock.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain, and the documents incorporated by reference herein and therein and any free writing prospectus that we have authorized for use in connection with this offering may contain, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements relate to future events or to our future operating or financial performance and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. Forward-looking statements may include, but are not limited to statements about:

- the progress, timing and results of preclinical and clinical trials involving our drug candidates;
- the progress of our research and development programs;
- our plans or others' plans to conduct future clinical trials or research and development efforts;
- the risk that final trial data may not support interim analysis of the viability of our drug candidates;
- our plans and expectations regarding partnering our drug candidates;
- the benefits to be derived from relationships with our collaborators;
- the receipt or anticipated receipt of regulatory clearances and approvals;
- estimates of the potential markets for our drug candidates;
- our ability to adequately protect our intellectual property rights;
- the use of proceeds from this offering;
- our estimates of future revenues and profitability; and

our estimates regarding our capital requirements, our ability to control our costs and our need for additional funding.

In some cases, you can identify forward-looking statements by terms such as may, will, should, could, would, plans, anticipates, believes, estimates, projects, predicts, potential and similar expressions intended to forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. We discuss many of these risks in greater detail under the heading Risk Factors beginning on page S-9 of this prospectus supplement and in our SEC filings. Also, these forward-looking statements represent our estimates and assumptions only as of the date of the document containing the applicable statement.

You should read this prospectus supplement, the accompanying prospectus, the documents we have filed with the SEC that are incorporated by reference and any free writing prospectus that we have authorized for use in connection with this offering completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of the forward-looking statements in the foregoing documents by these

cautionary statements.

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You should rely only on the information contained, or incorporated by reference, in this prospectus supplement, the accompanying prospectus and any free writing prospectus that we have authorized for use in connection with this offering. We and the underwriter for this offering have not authorized anyone to provide you with different information. The common stock offered under this prospectus is not being offered in any state where the offer is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of this prospectus supplement or the accompanying prospectus, as applicable, or that any information incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date of the document so incorporated by reference. Unless required by law, we undertake no obligation to update or revise any forward-looking statements to reflect new information or future events or developments. Thus, you should not assume that our silence over time means that actual events are bearing out as expressed or implied in such forward-looking statements.

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USE OF PROCEEDS

We estimate that the net proceeds from the sale of the 9,600,000 shares of common stock that we are offering will be approximately \$51.6 million, or approximately \$59.4 million if the underwriter exercises in full its option to purchase an additional 1,440,000 shares of common stock, based on the public offering price of \$5.75 per share and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds from this public offering for the overall development of our drug candidates, including to further expand the clinical trial programs, and for general corporate and working capital purposes.

The amounts and timing of these expenditures will depend on a number of factors, such as the timing and progress of our research and development efforts, the timing and progress of any partnering efforts, technological advances and the competitive environment for our product candidates. As of the date of this prospectus supplement, we cannot specify with certainty all of the particular uses for the net proceeds to us from this offering. Accordingly, our management will have broad discretion in the application of these proceeds. Pending application of the net proceeds as described above, we intend to invest the proceeds in investment grade interest bearing instruments.

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Our net tangible book value as of September 30, 2010 was approximately \$42.2 million, or \$0.87 per share. Net tangible book value per share is determined by dividing our total tangible assets, less total liabilities, by the number of shares of our common stock outstanding as of September 30, 2010. Dilution in net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of common stock in this public offering and the net tangible book value per share of our common stock immediately after this public offering.

After giving effect to the sale of 9,600,000 shares of our common stock in this offering at the public offering price of \$5.75 per share, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us, and taking into account our January 12, 2011 issuance and sale of common stock to Intrexon Corporation, our as adjusted net tangible book value as of September 30, 2010 would have been approximately \$105.4 million, or \$1.64 per share. This represents an immediate increase in net tangible book value of \$0.65 per share to existing stockholders and an immediate dilution of \$4.11 per share to investors purchasing our common stock in this offering at the public offering price. The following table illustrates this dilution on a per share basis:

Public offering price per share	\$ 5.75
Net tangible book value per share as of September 30, 2010	\$ 0.87
Pro forma increase in tangible book value per share attributable to the January 12, 2011 sale and issuance of 6,063,161 shares of common stock to Intrexon Corporation in a private placement transaction for a purchase price of approximately \$11.6 million	\$ 0.12
Increase per share attributable to investors purchasing our common stock in this offering	\$ 0.65
As adjusted net tangible book value per share as of September 30, 2010, after giving effect to this offering	\$ 1.64
Dilution in net tangible book value per share to investors purchasing our common stock in this offering	\$ 4.11

If the underwriter exercises in full their option to purchase 1,440,000 additional shares of common stock at the public offering price of \$5.75 per share, the pro forma as adjusted net tangible book value after this offering would be \$1.73 per share, representing an increase in net tangible book value of \$0.74 per share to existing stockholders and an immediate dilution in net tangible book value of \$4.02 per share to investors purchasing our common stock in this offering at the public offering price.

The amounts above are based on 48,557,678 shares of common stock outstanding as of September 30, 2010 and assume no exercise of outstanding options or warrants since that date. The number of common stock expected to be outstanding after this offering excludes:

3,528,852 shares of our common stock issuable upon the exercise of outstanding stock options as of September 30, 2010, including those issued under our 2003 Stock Option Plan, having a weighted average exercise price of \$3.02 per share;

3,074,734 additional shares of our common stock reserved for future issuance as of September 30, 2010 under our 2003 Stock Option Plan; and

15,924,642 shares of our common stock issuable upon the exercise of outstanding warrants as of September 30, 2010 with a weighted-average exercise price of \$4.11 per share.

To the extent options or warrants outstanding as of September 30, 2010 have been or may be exercised or other shares have been issued, there may be further dilution to investors.

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MATERIAL U.S. FEDERAL INCOME AND ESTATE TAX CONSEQUENCES FOR CERTAIN NON-U.S. HOLDERS

The following summary describes the material U.S. federal income and estate tax consequences of the acquisition, ownership and disposition of our common stock acquired in this offering by a Non-U.S. Holder (as defined below). This discussion does not address all aspects of U.S. federal income and estate taxes and does not deal with foreign, state and local consequences that may be relevant to Non-U.S. Holders in light of their particular circumstances. Special rules may apply to certain Non-U.S. Holders that are subject to special treatment under the Internal Revenue Code of 1986, as amended, or the Code, such as financial institutions, insurance companies, tax-exempt organizations, broker-dealers and traders in securities, U.S. expatriates, controlled foreign corporations, passive foreign investment companies, corporations that accumulate earnings to avoid U.S. federal income tax, persons that hold our common stock as part of a straddle, hedge, conversion transaction, synthetic security or integrated investment, partnerships or other pass-through entities, and investors in such pass-through entities. Such Non-U.S. Holders are urged to consult their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them. Furthermore, the discussion below is based upon the provisions of the Code, and Treasury regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified, perhaps retroactively, so as to result in U.S. federal income and estate tax consequences different from those discussed below. This discussion assumes that the Non-U.S. Holder holds our common stock as a capital asset.

The following discussion is for general information only and is not tax advice. **Persons considering the purchase of our common stock should consult their own tax advisors concerning the U.S. federal income and estate tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction, including any state, local or foreign tax consequences.**

Except as otherwise described in the discussion of estate tax below, a Non-U.S. Holder is a beneficial holder of our common stock that is not a U.S. Holder or a partnership. A U.S. Holder means a beneficial holder of our common stock that is for U.S. federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation or other entity treated as a corporation created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust if it (x) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (y) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) acquires our common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Persons who are partners of partnerships holding our common stock are urged to consult their tax advisors.

Distributions

Subject to the discussion below, distributions, if any, made to a Non-U.S. Holder of our common stock out of our current or accumulated earnings and profits generally will constitute dividends for U.S. tax purposes and will be subject to withholding tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. To obtain a reduced rate of withholding under a treaty, a Non-U.S. Holder generally will be required to provide us with a

properly-executed IRS Form W-8BEN, or other appropriate form, certifying the Non-U.S. Holder's entitlement to benefits under that treaty. Treasury regulations provide special rules to determine whether, for purposes of determining the applicability of a tax treaty, dividends paid to a Non-U.S. Holder that is an entity should be treated as paid to the entity or to those holding an interest in that entity. If a Non-U.S. Holder holds stock through a financial institution or other agent acting on the holder's behalf, the holder will be required to provide appropriate documentation to such agent. The holder's agent will then be required to provide certification to us or our paying agent, either directly or through other intermediaries.

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We generally are not required to withhold tax on dividends paid to a Non-U.S. Holder that are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States if a properly-executed IRS Form W-8ECI, stating that the dividends are so connected (and are not exempt from net U.S. federal income tax under a treaty as described below), is filed with us. Effectively connected dividends will be subject to net U.S. federal income tax, generally in the same manner and at the regular rate as if the Non-U.S. Holder were a U.S. citizen or resident alien or a domestic corporation, as the case may be, unless a specific treaty exemption applies. If the Non-U.S. Holder is eligible for the benefits of a tax treaty between the United States and the holder's country of residence, any effectively connected dividends would generally be subject to net U.S. federal income tax only if they are also attributable to a permanent establishment maintained by the holder in the United States. A corporate Non-U.S. Holder receiving effectively connected dividends may also be subject to an additional branch profits tax, which is imposed, under certain circumstances, at a rate of 30% (or such lower rate as may be specified by an applicable treaty) of the corporate Non-U.S. Holder's effectively connected earnings and profits, subject to certain adjustments. If you are eligible for a reduced rate of withholding tax pursuant to a tax treaty, you may generally obtain a refund of any excess amounts currently withheld if you timely file an appropriate claim for refund with the IRS.

To the extent distributions on our common stock, if any, exceed our current and accumulated earnings and profits, they will constitute a return of capital and will first reduce your basis in our common stock, but not below zero, and then will be treated as gain from the sale of stock.

Gain on Disposition of Common Stock

A Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to gain realized on a sale or other disposition of our common stock unless (i) the gain is effectively connected with a trade or business of such holder in the United States, (ii) in the case of Non-U.S. Holders who are nonresident alien individuals, such individuals are present in the United States for 183 or more days in the taxable year of the disposition and certain other conditions are met, or (iii) we are or have been a United States real property holding corporation within the meaning of Code Section 897(c)(2) at any time within the shorter of the five-year period preceding such disposition or such holder's holding period. In general, we would be a United States real property holding corporation if interests in U.S. real estate comprised at least half of our business assets. We believe that we are not, and do not anticipate becoming, a United States real property holding corporation. Even if we are treated as a United States real property holding corporation, gain realized by a Non-U.S. Holder on a disposition of our common stock will not be subject to U.S. federal income tax so long as (1) the Non-U.S. Holder owned directly, indirectly and constructively, no more than five percent of our common stock at all times within the shorter of (a) the five year period preceding the disposition or (b) the holder's holding period and (2) our common stock is regularly traded on an established securities market. There can be no assurance that our common stock will continue to qualify as regularly traded on an established securities market.

If you are a Non-U.S. Holder described in (i) above, you will be required to pay tax on the net gain derived from the sale at generally applicable United States federal income tax rates, subject to an applicable income tax treaty providing otherwise, and corporate Non-U.S. Holders described in (i) above may be subject to the branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. If you are an individual Non-U.S. Holder described in (ii) above, you will be required to pay a flat 30% tax (or a reduced rate under an applicable income tax treaty) on the gain derived from the sale, which tax may be offset by U.S. source capital losses if you have timely filed tax returns with respect to such losses (even though you are not considered a resident of the United States). If gain realized by you on the sale of our common stock is taxable because we are a United States real property holding corporation and your ownership of our common stock exceeded the 5% threshold in the period noted above, you will be taxed on such disposition generally in the manner applicable to U.S. persons.

Information Reporting Requirements and Backup Withholding

Generally, we must report information to the IRS with respect to any dividends we pay on our stock including the amount of any such dividends, the name and address of the recipient, and the amount, if any, of tax withheld. A similar report is sent to the holder to whom any such dividends are paid. Pursuant to tax treaties or certain other agreements, the IRS may make its reports available to tax authorities in the recipient's country of residence.

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Proceeds from a disposition of our stock and dividends paid by us (or our paying agents) to a Non-U.S. Holder may also be subject to U.S. backup withholding. U.S. backup withholding generally will not apply to a Non-U.S. Holder who provides a properly-executed IRS Form W-8BEN or otherwise establishes an exemption. The current backup withholding rate is 28%. Notwithstanding the foregoing, backup withholding may apply if either we or our paying agent has actual knowledge, or reason to know, that the holder of our common stock is a U.S. person that is not an exempt recipient.

Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may generally be obtained, provided that the required information is timely furnished to the IRS.

New legislation relating to foreign accounts

Newly enacted legislation may impose withholding taxes on certain types of payments made to foreign financial institutions (as specifically defined in this new legislation) and certain other non-U.S. entities (including financial intermediaries). Under this legislation, the failure to comply with additional certification, information reporting and other specified requirements could result in withholding tax being imposed on payments of dividends and sales proceeds to foreign intermediaries and certain Non-U.S. Holders. The legislation imposes a 30% withholding tax on dividends, or gross proceeds from the sale or other disposition of, common stock paid to a foreign financial institution or to a foreign non-financial entity, unless (i) the foreign financial institution undertakes certain diligence and reporting obligations or (ii) the foreign non-financial entity either certifies it does not have any substantial United States owners or furnishes identifying information regarding each substantial United States owner. If the payee is a foreign financial institution, it must enter into an agreement with the United States Treasury requiring, among other things, that it undertake to identify accounts held by certain United States persons or United States-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these reporting and other requirements. The legislation applies to payments made after December 31, 2012. Prospective investors should consult their tax advisors regarding this legislation.

Federal estate tax

Common stock owned or treated as owned by an individual who is not a citizen or resident of the United States (as specifically defined for U.S. federal estate tax purposes) at the time of death is considered a U.S. situs asset includible in the individual's gross estate for U.S. federal estate tax purposes and therefore may be subject to U.S. federal estate tax, unless an applicable estate tax treaty provides otherwise. Prospective investors are urged to consult their tax advisors regarding the U.S. federal estate tax considerations of acquiring, holding, and disposing of common stock. The test for whether an individual is a resident of the United States for federal estate tax purposes differs from the test used for U.S. federal income tax purposes. Some individuals, therefore, may be Non-U.S. Holders for U.S. federal income tax purposes, but not for U.S. federal estate tax purposes, and vice versa.

THE PRECEDING DISCUSSION OF U.S. FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY. IT IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF OUR COMMON STOCK, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAW.

TABLE OF CONTENTS**UNDERWRITING**

Under the terms of an underwriting agreement, which we will file as an exhibit to our current report on Form 8-K and incorporate by reference in this prospectus supplement and the accompanying prospectus, Barclays Capital Inc., as the underwriter in this offering, has agreed to purchase from us, 9,600,000 shares of common stock.

The underwriting agreement provides that the underwriter's obligation to purchase shares of common stock depends on the satisfaction of the conditions contained in the underwriting agreement including:

the obligation to purchase all of the shares of common stock offered hereby (other than those shares of common stock covered by their option to purchase additional shares as described below), if any of the shares are purchased;

the representations and warranties made by us to the underwriter are true;

there is no material change in our business or in the financial markets; and

we deliver customary closing documents to the underwriter.

Commissions and Expenses

The following table summarizes the underwriting discounts and commissions we will pay to the underwriter. Such amounts are shown assuming both no exercise and full exercise of the underwriter's option to purchase additional shares. The underwriting fee is the difference between the initial price to the public and the amount the underwriter pays to us for the shares.

	Per Share		Total	
	Without Option to Purchase Additional Shares	With Option to Purchase Additional Shares	Without Option to Purchase Additional Shares	With Option to Purchase Additional Shares
Public offering price	\$5.75	\$ 5.75	\$55,200,000	\$ 63,480,000
Underwriting discounts and commissions paid by us	\$0.325	\$ 0.325	\$3,120,000	\$ 3,588,000

The underwriter has advised us that it proposes to offer the shares of common stock directly to the public at the public offering price on the cover of this prospectus supplement and to selected dealers, which may include the underwriter, at such offering price less a selling concession not in excess of \$0.20 per share. After the offering, the underwriter may change the offering price and other selling terms. Sales of shares made outside of the United States may be made by affiliates of the underwriter.

The expenses of the offering that are payable by us are estimated to be \$500,000 (excluding underwriting discounts and commissions).

Option to Purchase Additional Shares

If the underwriter sells more shares than the total number set forth above, we have granted to the underwriter an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to 1,440,000 additional shares. The underwriter may exercise the option solely for the purpose of covering over-allotments, if any, in

connection with this offering. Any shares issued or sold under the option will be issued and sold on the same terms and conditions as the other shares that are the subject of this offering.

Lock-Up Agreements

We, all of our directors and executive officers, and certain of our stockholders have agreed that, subject to certain exceptions, without the prior written consent of Barclays Capital Inc., we and they will not directly or indirectly (1) offer for sale, sell, pledge, or otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any shares of common stock (including, without limitation, shares of common stock that may be deemed to be beneficially owned in accordance with the rules and regulations of the Securities and Exchange Commission and shares of common stock that may be issued upon exercise of any options or warrants) or

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securities convertible into or exercisable or exchangeable for common stock, (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock, (3) make any demand for or exercise any right or file or cause to be filed a registration statement, including any amendments thereto, with respect to the registration of any shares of common stock or securities convertible, exercisable or exchangeable into common stock or any of our other securities, or (4) publicly disclose the intention to do any of the foregoing for a period of 90 days after the date of this prospectus supplement.

The 90-day restricted period described in the preceding paragraph will be extended if:

during the last 17 days of the 90-day restricted period we issue an earnings release or material news or a material event relating to us occurs; or

prior to the expiration of the 90-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 90-day period;

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or occurrence of material event, , unless Barclays Capital Inc. waives such extension in writing; except that such extension will not apply if (i) the shares of common stock are actively traded securities (as defined in Regulation M under the Securities Exchange Act of 1934, as amended, or the Exchange Act), (ii) we meet the applicable requirements of paragraph (a)(1) of Rule 139 under the Securities Act in the manner contemplated by NASD Conduct Rule 2711(f)(4), and (iii) the provisions of NASD Conduct Rule 2711(f)(4) do not restrict the publishing or distribution of any research reports relating to us published or distributed by the Underwriter during the 15 days before or after the last day of the 90-day restricted period (before giving effect to such extension).

Notwithstanding the foregoing, Barclays Capital Inc., has agreed that the transfer restrictions shall not apply to:

with respect to us, (a) any sales pursuant to this offering; (b) the issuance of shares of our common stock issued upon the settlement, vesting or exercise of options, warrants or rights outstanding in place at the time of the offering; (c) subject to certain limitations, the issuance of any shares or rights to purchase our common stock issued pursuant to our equity incentive plans; or (d) the issuance of 3,636,926 shares of our common stock that is contingent upon satisfaction of a development milestone under our Stock Purchase Agreement dated January 6, 2011 with Intrexon Corporation; and (e) issuances in connection with a strategic partnership, joint venture, collaboration, merger or the acquisition or license of any business products or technology, provided that the shares so issued shall not exceed 5% of the total outstanding shares of the Company immediately following the completion of the offering, and the recipient of such shares agrees to not sell, offer, dispose of or otherwise transfer any such shares without the consent of Barclays Capital Inc. prior to the expiration of the restricted period described above; and

with respect to our officers and directors, (a) the transfer of any or all of the shares of our common stock, either during his or her lifetime or on death, by gift, will or intestate succession to the immediate family of such person or to a trust the beneficiaries of which are exclusively such person and/or a member or members of his or her immediate family or (b) the sale of shares of common stock after March 31, 2011 by a director upon the vesting of shares of restricted common stock outstanding as of the date hereof as necessary to satisfy tax withholding obligations pursuant to our equity compensation plans or arrangements; provided that in the case of (a), it shall be a condition so such transfer that (i) the transferee executes and delivers to Barclays Capital an agreement stating that the transferee is receiving and holding the shares subject to the provisions of the lock-up agreement, and there shall be no further transfer of such shares, except in accordance with the lock-up agreement, (ii) no filing by any transferor or transferee under the Exchange Act shall be required or shall be voluntarily made in connection with such transfer or distribution (other than a filing on a Form 5, Schedule 13D or Schedule 13G (or 13D-A or 13G-A) made after the expiration of the 90-day restricted period referred to above), (iii) each transferor or transferee shall not be required by

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law (including without limitation the disclosure requirements of the Securities Act and the Exchange Act) to make, and shall agree to not voluntarily make, any public announcement of the transfer or disposition, and (iv) the transferor notifies Barclays Capital Inc. at least two business days prior to the proposed transfer or disposition (except with respect to any transfer or disposition of shares of common stock as the result of the death of the transferor), and provided that in the case of (b), such dispositions and sales shall not exceed 40% of the number of shares of restricted common stock so vesting.

Barclays Capital Inc., in its sole discretion, may release the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time with or without notice. When determining whether or not to release the common stock and other securities from lock-up agreements, Barclays Capital Inc. will consider, among other factors, the holder's reasons for requesting the release, the number of shares of common stock or other securities for which the release is being requested and market conditions at the time.

Intrexon Corporation Purchase

Intrexon Corporation, a corporation affiliated with Randal J. Kirk, who serves as a director of the Company agreed to purchase 1,910,000 shares of common stock in this offering.

Indemnification

We have agreed to indemnify the underwriter against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriter may be required to make for these liabilities.

Listing

Our common stock is listed on The NASDAQ Capital Market under the symbol **ZIOP**.

Stabilization and Short Positions

The underwriter may engage in stabilizing transactions, covering transactions or purchases for the purpose of pegging, fixing or maintaining the price of the common stock, in accordance with Regulation M under the Exchange Act:

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

Covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover short positions.

These stabilizing transactions and covering transactions may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of the common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the NASDAQ Capital Market or otherwise and, if commenced, may be discontinued at any time.

Neither we nor the underwriter make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor the underwriter make representation that the underwriter will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

Passive Market Making

In connection with the offering, the underwriter and selling group members may engage in passive market making transactions in the common stock on the NASDAQ Capital Market in accordance with Rule 103 of Regulation M under the Securities Exchange Act of 1934 during the period before the commencement of offers or sales of common stock and extending through the completion of distribution. A passive market maker must display its bids at a price not in excess of the highest independent bid of the security. However, if all independent bids are lowered below the passive market maker's bid that bid must be lowered when specified purchase limits are exceeded.

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Electronic Distribution

A prospectus supplement and the accompanying prospectus in electronic format may be made available on the Internet sites or through other online services maintained by the underwriter or by its affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter, prospective investors may be allowed to place orders online. The underwriter may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriter on the same basis as other allocations.

Other than the prospectus supplement and the accompanying prospectus in electronic format, the information on the underwriter's website and any information contained in any other website maintained by the underwriter is not part of the prospectus supplement and the accompanying prospectus or the registration statement of which the prospectus supplement and the accompanying prospectus forms a part, has not been approved and/or endorsed by us or the underwriter in its capacity as underwriter and should not be relied upon by investors.

Stamp Taxes

If you purchase shares of common stock offered in the prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of the prospectus.

Relationships

Barclays Capital Inc. and/or its affiliates may in the future perform investment banking and advisory services for us from time to time for which they expect to receive customary fees and expense reimbursement.

Selling Restrictions

European Economic Area

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of securities described in this prospectus supplement may not be made to the public in that relevant member state other than:

to any legal entity that is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of Barclays Capital Inc. or its affiliates; or

in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive,

provided that no such offer of securities shall require us to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the expression an offer of securities to the public in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

We have not authorized and do not authorize the making of any offer of securities through any financial intermediary on their behalf, other than offers made by Barclays Capital Inc. or its affiliates with a view to the

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final placement of the securities as contemplated in this prospectus supplement. Accordingly, no purchaser of the securities, other than Barclays Capital Inc. or its affiliates, is authorized to make any further offer of the securities on behalf of us or Barclays Capital Inc. or its affiliates.

United Kingdom

This prospectus supplement is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive (Qualified Investors) that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons). This prospectus supplement and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant persons should not act or rely on this document or any of its contents.

Australia

No prospectus supplement or other disclosure document (as defined in the Corporations Act 2001 (Cth) of Australia (Corporations Act)) in relation to the common stock has been or will be lodged with the Australian Securities & Investments Commission (ASIC). This document has not been lodged with ASIC and is only directed to certain categories of exempt persons. Accordingly, if you receive this document in Australia:

(a) you confirm and warrant that you are either:

(i) a sophisticated investor under section 708(8)(a) or (b) of the Corporations Act;

(ii) a sophisticated investor under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant's certificate to us which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made;

(iii) a person associated with the company under section 708(12) of the Corporations Act; or

(iv) a professional investor within the meaning of section 708(11)(a) or (b) of the Corporations Act, and to the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor, associated person or professional investor under the Corporations Act any offer made to you under this document is void and incapable of acceptance; and

(b) you warrant and agree that you will not offer any of the common stock for resale in Australia within 12 months of those common stock being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

Hong Kong

The common stock may not be offered or sold in Hong Kong, by means of any document, other than (a) to professional investors as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made under that Ordinance or (b) in other circumstances which do not result in the document being a prospectus

as defined in the Companies Ordinance (Cap. 32, Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the common stock may be issued or may be in the possession of any person for the purpose of the issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the common stock which are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) or any rules made under that Ordinance.

India

This prospectus supplement has not been and will not be registered as a prospectus with the Registrar of Companies in India or with the Securities and Exchange Board of India. This prospectus supplement or any other material relating to these securities is for information purposes only and may not be circulated or

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distributed, directly or indirectly, to the public or any members of the public in India and in any event to not more than 50 persons in India. Further, persons into whose possession this prospectus supplement comes are required to inform themselves about and to observe any such restrictions. Each prospective investor is advised to consult its advisors about the particular consequences to it of an investment in these securities. Each prospective investor is also advised that any investment in these securities by it is subject to the regulations prescribed by the Reserve Bank of India and the Foreign Exchange Management Act and any regulations framed thereunder.

Japan

No securities registration statement (SRS) has been filed under Article 4, Paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) (FIEL) in relation to the common stock. The common stock is being offered in a private placement to qualified institutional investors (tekikaku-kikan-toshika) under Article 10 of the Cabinet Office Ordinance concerning Definitions provided in Article 2 of the FIEL (the Ministry of Finance Ordinance No. 14, as amended) (QIIs), under Article 2, Paragraph 3, Item 2 i of the FIEL. Any QII acquiring the common stock in this offer may not transfer or resell those shares except to other QIIs.

Korea

The common stock may not be offered, sold and delivered directly or indirectly, or offered or sold to any person for reoffering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the Korea Securities and Exchange Act and the Foreign Exchange Transaction Law and the decrees and regulations thereunder. The common stock has not been registered with the Financial Services Commission of Korea for public offering in Korea. Furthermore, the common stock may not be resold to Korean residents unless the purchaser of the common stock complies with all applicable regulatory requirements (including but not limited to government approval requirements under the Foreign Exchange Transaction Law and its subordinate decrees and regulations) in connection with the purchase of the common stock.

Singapore

This prospectus supplement has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the common stock may not be circulated or distributed, nor may the common stock be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Future Act, Chapter 289 of Singapore (the SFA), (ii) to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to Section 275 (1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the common stock is subscribed and purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor (as defined in Section 4A of the SFA)) whose sole whole purpose is to hold investments and each beneficiary is an accredited investor,

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shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable within six months after that corporation or that trust has acquired the common stock under Section 275 of the SFA except:

- (i) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA) and in accordance with the conditions, specified in Section 275 of the SFA;
- (ii) (in the case of a corporation) where the transfer arises from an offer referred to in Section 275(1A) of the SFA, or (in the case of a trust) where the transfer arises from an offer that is made on terms that such rights or interests are acquired at a consideration of not less than \$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets;
- (iii) where no consideration is or will be given for the transfer; or
- (iv) where the transfer is by operation of law.

By accepting this prospectus supplement, the recipient hereof represents and warrants that he is entitled to receive it in accordance with the restrictions set forth above and agrees to be bound by limitations contained herein. Any failure to comply with these limitations may constitute a violation of law.

LEGAL MATTERS

Maslon Edelman Borman & Brand, LLP, Minneapolis, Minnesota will pass upon the validity of the issuance of the common stock offered by this prospectus supplement and the accompanying prospectus. The underwriter is being represented by Cooley LLP, Palo Alto, California.

EXPERTS

The balance sheets of ZIOPHARM Oncology, Inc. as of December 31, 2009 and 2008 and the related statements of operations, changes in convertible preferred stock and stockholders' equity (deficit) and cash flows for each of the years in the three-year period ended December 31, 2009 and for the period from September 9, 2003 (date of inception) through December 31, 2009, incorporated by reference in this prospectus, have been incorporated by reference herein in reliance on the report, dated March 17, 2010, of Caturano and Company, Inc. (formerly Caturano and Company, P.C.), independent registered public accounting firm, which report expresses an unqualified opinion and includes an explanatory paragraph relating to the change in the manner in which the Company accounts for certain warrants, given on the authority of that firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission, or the SEC, a registration statement on Form S-3 (No. 333-166444) under the Securities Act relating to the common stock offered by this prospectus supplement and the accompanying prospectus. This prospectus supplement and the accompanying prospectus are a part of that registration statement, which includes additional information not contained in this prospectus supplement or the accompanying prospectus.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC's website at <http://www.sec.gov>. Copies of certain information filed by us with the SEC are also available on our website at www.ziopharm.com. Our website is not a part of this prospectus supplement. You may also read and copy any document we file with the SEC at its public reference room, at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1 800 SEC 0330 for further information on the operation of its Public Reference Room.

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INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

We are allowed to incorporate by reference information contained in documents that we file with the SEC. This means that we can disclose important information to you by referring you to those documents and that the information in this prospectus supplement is not complete and you should read the information incorporated by reference for more detail.

We incorporate by reference in two ways. First, we list certain documents that we have already filed with the SEC.

The information in these documents is considered part of this prospectus supplement. Second, the information in documents that we file in the future will update and supersede the current information in, and incorporated by reference in, this prospectus supplement.

We incorporate by reference the documents listed below and any future filings we will make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act (other than information furnished in Current Reports on Form 8-K filed under Item 2.02 or 7.01 of such form):

our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, filed on March 17, 2010, as amended by Amendment No. 1 to Annual Report on Form 10-K/A filed on April 30, 2010;

our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, filed on April 30, 2010;

our Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, filed on July 30, 2010;

our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, filed on November 4, 2010;

our Current Reports on Form 8-K filed on January 27, 2010, April 6, May 21, June 2, June 7, June 21, June 23, July 20, July 30, September 23, September 27, November 12 and December 28, 2010 and January 5, January 12, January 26 and February 2, 2011;

our definitive proxy statement filed pursuant Section 14 of the Exchange Act in connection with our 2010 Annual Meeting of Stockholders filed with the SEC on May 14, 2010; and

The description of our common stock set forth in the registration statement on Form 8-A registering our common stock under Section 12 of the Exchange Act, which was filed with the SEC on September 20, 2006, including any amendments or reports filed for the purpose of updating such description.

We will provide to each person, including any beneficial owner, to whom a prospectus supplement is delivered, a copy of any or all of the information that has been incorporated by reference in this prospectus supplement but not delivered with this prospectus supplement. You may request a copy of this information at no cost, by writing or telephoning us at the following address or telephone number:

ZIOPHARM Oncology, Inc.
1180 Avenue of the Americas, 19th Floor
New York, NY 10036
Attention: President
Telephone: (646) 214-0700

You should rely only on the information incorporated by reference or provided in this prospectus supplement or the accompanying prospectus. We have not authorized anyone else to provide you with different information. You should not assume that the information in this prospectus supplement is accurate as of any date other than the date on the front of this prospectus supplement.

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PROSPECTUS

\$100,000,000

ZIOPHARM Oncology, Inc.

**Common Stock, Preferred Stock,
Warrants and Debt Securities**

We may offer and sell any combination of common stock, preferred stock, warrants and debt securities, with a total initial offering price of up to \$100,000,000.

This prospectus provides a general description of securities we may offer and sell from time to time. Each time we sell these securities, we will provide their specific terms in a supplement to this prospectus. This prospectus supplement may also add, update or change information contained in this prospectus. You should read this prospectus and the applicable prospectus supplement carefully before you invest in any securities. This prospectus may not be used to consummate a sale of securities unless accompanied by the applicable prospectus supplement.

We may offer and sell these securities, from time to time, to or through one or more underwriters, dealers and agents, or directly to purchasers, on a continuous or delayed basis, at prices and on other terms to be determined at the time of offering. If we use agents, underwriters or dealers to sell the securities, we will name them and describe their compensation in a prospectus supplement.

Our common stock is listed on the Nasdaq Capital Market under the symbol ZIOP. On May 7, 2010, the closing price of our common stock, as reported on the Nasdaq Capital Market, was \$5.62. We urge prospective purchasers of our common stock to obtain current information about the market prices of our common stock.

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

The date of this Prospectus is May 10, 2010.

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ZIOPHARM ONCOLOGY, INC.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, using a shelf registration process. Under this shelf registration process, from time to time, we may sell any combination of the securities described in this prospectus in one or more offerings, up to a total dollar amount of \$100,000,000. This prospectus provides you with a general description of the securities we may offer. Each time we offer and sell securities under this prospectus, we will provide a prospectus supplement that will contain more specific information about the terms of the applicable offering. We may also add, update or change in the prospectus supplement any of the information contained in this prospectus. This prospectus, together with the applicable prospectus supplement(s) and the documents incorporated by reference into this prospectus and such supplement(s), includes all material information relating to this offering. To the extent there is a conflict between the information contained in this prospectus and the prospectus supplement, you should rely on the information in the prospectus supplement; provided that, if any statement in one of these documents is inconsistent with a statement in another document having a later date—for example, a document incorporated by reference in this prospectus or any prospectus supplement—the statement in the document having the later date modifies or supersedes the earlier statement. Please carefully read both this prospectus and any prospectus supplement, together with the additional information described below under Where You Can Find More Information, before buying securities in this offering.

You should rely only on the information contained or incorporated by reference in this prospectus or a prospectus supplement. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus and the accompanying supplement to this prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate, nor do this prospectus and the accompanying supplement to this

prospectus constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. You should not assume that the information contained in this prospectus and the accompanying prospectus supplement is accurate on any date subsequent to the date set forth on the front cover of this document or that any information we have incorporated by reference is correct on any date subsequent to the date of the document incorporated by reference, even though this prospectus and any accompanying prospectus supplement is delivered or securities sold on a later date.

This prospectus may not be used to consummate a sale of our securities unless it is accompanied by a prospectus supplement.

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PROSPECTUS SUMMARY

The following is a summary of this prospectus. Because it is only a summary, it does not contain all of the detailed information contained elsewhere in this prospectus or in the documents incorporated by reference into this prospectus or included as exhibits to the registration statement that contains this prospectus. Accordingly, you are urged to carefully review this prospectus (including all documents incorporated by reference into this prospectus) in its entirety. Unless otherwise indicated, ZIOPHARM, our Company, we, us, our and similar terms refer to ZIOPHARM Oncology, Inc.

Our Company

ZIOPHARM Oncology, Inc. is a biopharmaceutical company that is seeking to develop and commercialize a diverse, risk-sensitive portfolio of in-licensed cancer drugs that can address unmet medical needs through enhanced efficacy and/or safety and quality of life. Our principal focus is on the licensing and development of proprietary small molecule drug candidates that are related to cancer therapeutics already on the market or in development and that can be administered by intravenous and/or oral capsule dosing. We believe this strategy will result in lower risk and expedited drug development programs with product candidates having a low cost of manufacturing to address changing reimbursement requirements around the world. While we may endeavor to commercialize our products on our own in North America, we recognize that favorable clinical trial results can be better addressed by partnering with companies with the requisite financial resources. With partnering, we could also negotiate the right to complete development and marketing in certain geographies, especially for certain limited (niche) indications. Although we are currently in phase I and/or II studies for three product candidates identified as darinaparsin (Zinapar™, ZIO-101), palifosfamide (Zymafos™, ZIO-201), and indibulin (Zybulin™, ZIO-301), our primary focus has been and remains on palifosfamide development and more specifically on completing the ongoing randomized phase II trial with palifosfamide to support a registration trial for palifosfamide in combination with doxorubicin in the front- and second-line setting of soft tissue sarcoma. We anticipate the initiation of such a registration trial as early as the first half of 2010.

ZIO-101 or darinaparsin (Zinapar™) is an anti-mitochondrial (organic arsenic) compound covered by issued patents and pending patent applications in the U.S. and in foreign countries. A form of commercially available inorganic arsenic (arsenic trioxide [Trisenox®] or ATO) has been approved in the United States and the European Union and Japan for the treatment of acute promyelocytic leukemia, a precancerous condition. In the United States, ATO is on the compendia listing for the therapy of multiple myeloma, and has been studied for the treatment of various other cancers. Nevertheless, ATO has been shown to be toxic to the heart, liver, and brain, which limits its use as an anti-cancer agent. ATO carries a black box warning for ECG abnormalities since arsenic trioxide has been shown to cause QT interval prolongation and complete atrioventricular block. QT prolongation can lead to a torsade de pointes-type ventricular arrhythmia, which can be fatal. Inorganic arsenic has also been shown to cause cancer of the skin and lung in humans. The toxicity of arsenic is generally correlated to its accumulation in organs and tissues. Our preclinical and clinical studies to date have demonstrated that darinaparsin is considerably less toxic than ATO, particularly with regard to cardiac toxicity. In vitro testing of darinaparsin using the National Cancer Institute's human cancer cell panel demonstrated activity against a series of tumor cell lines including lung, colon, brain, melanoma, ovarian, and kidney cancer. Moderate activity was shown against breast and prostate cancer tumor cell lines. In addition to solid tumors, in vitro testing in both the National Cancer Institute's cancer cell panel and in vivo testing in a leukemia animal model demonstrated substantial activity against hematological cancers (cancers of the blood and blood-forming tissues) such as leukemia, lymphoma, myelodysplastic syndromes, and multiple myeloma. Results indicate significant activity against the HuT 78 cutaneous T-cell lymphoma, the NK-G2MI natural killer-cell NHL,

KARPAS-299 T-cell NHL, SU-DHL-8 B-cell NHL, SU-DHL-10 B-cell NHL and SU-DHL-16 B-cell NHL cell lines. Preclinical studies have also established anti-angiogenic properties of darinaparsin and provided support for the development of an oral capsule form of the drug, and established synergy of darinaparsin in combination with other approved anti-cancer agents.

Phase I testing of the intravenous (IV) form of darinaparsin in solid tumors and hematological cancers has been completed. We reported clinical activity and, importantly, a safety profile from these studies as

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predicted by preclinical results. We subsequently completed Phase II studies in advanced myeloma and primary liver cancer and are nearing completion of a Phase II study in certain other hematological cancers. In addition, we are completing two Phase I studies with an oral capsule form of darinaparsin. At the May 2009 annual meeting of the American Society of Clinical Oncology, we reported favorable results from the trial with IV-administered darinaparsin in lymphoma, particularly peripheral T-cell lymphoma. In the ongoing Phase I trials, also reported at the ASCO annual meeting, preliminary data primarily in solid tumors indicate the oral form is active and well tolerated. We are completing data collection from the IV Phase II trial to address a registration and other trials with the U.S. Food and Drug Administration. The oral Phase I program will be progressed to establish a dose for further clinical testing.

ZIO-201 or palifosfamide (Zymafos™), comprises the active metabolite of ifosfamide, a compound chemically related to cyclophosphamide. Patent applications covering proprietary forms of palifosfamide for pharmaceutical composition and method of use have been filed in the U.S. and internationally and in the U.S. we recently received a patent covering pharmaceutical composition. Like cyclophosphamide, ifosfamide and bendamustine, palifosfamide is a DNA alkylating agent, a form of cancer therapy to treat a wide range of solid tumors and hematological malignancies. We believe that cyclophosphamide is the most widely used alkylating agent in cancer therapy, with significant use in the treatment of breast cancer and non-Hodgkin's lymphoma. Bendamustine has been recently approved and successfully launched by Cephalon Oncology in the U.S. and Europe to treat certain hematological malignancies. Ifosfamide has been shown to be effective in the treatment of sarcoma and lymphoma, either by itself or in combination with other anticancer agents. Ifosfamide is approved by the FDA as a treatment for testicular cancer while ifosfamide-based treatment is a standard of care for sarcoma, although it is not licensed for this indication by the FDA. Preclinical studies have shown that palifosfamide has activity against leukemia and solid tumors. These studies also indicate that palifosfamide may have a better safety profile than ifosfamide or cyclophosphamide because it does not appear to produce known toxic metabolites of ifosfamide, such as acrolein and chloroacetaldehyde. Acrolein, which is toxic to the kidneys and bladder, can mandate the administration of a protective agent called mesna, which is inconvenient and expensive. Chloroacetaldehyde is toxic to the central nervous system, causing "fuzzy brain" syndrome for which there is currently no protective measure. Similar toxicity concerns pertain to high-dose cyclophosphamide, which is widely used in bone marrow and blood cell transplantation. Palifosfamide has evidenced activity against ifosfamide- and/or cyclophosphamide-resistant cancer cell lines. Also in preclinical cancer models, palifosfamide was shown to be orally active and encouraging results have been obtained with palifosfamide in combination with doxorubicin, an agent approved to treat sarcoma.

Following completion of Phase I study, we completed Phase II testing of the intravenous form of palifosfamide as a single agent to treat advanced sarcoma. In both Phase I and Phase II testing, palifosfamide has been administered without the uroprotectant mesna, and the toxicities associated with acrolein and chloroacetaldehyde have not been observed. We reported clinical activity of palifosfamide when used alone in the Phase II study addressing advanced sarcoma. Following review of preclinical combination studies, clinical data, and discussion with sarcoma experts, we initiated a Phase I dose escalation study of palifosfamide in combination with doxorubicin primarily in patients with soft tissue sarcoma. We reported favorable results and safety profile from this study at ASCO's 2009 annual meeting.

In light of reported favorable Phase II clinical activity data and with the combination of palifosfamide with doxorubicin well tolerated in the Phase I trial and evidencing activity, we initiated a Phase II randomized controlled trial in the second half of 2008 to compare doxorubicin plus palifosfamide to doxorubicin alone in patients with front and second-line metastatic or unresectable soft tissue sarcoma. The study has generated positive top line interim data in 2009. Upon reaching a pre-specified efficacy milestone and following safety and efficacy data review by the Data Committee, sarcoma experts, and our Medical Advisory Board, we elected to suspend enrollment in the trial in October 2009. We subsequently presented further positive interim data from the trial at the 15th Annual Connective Tissue Oncology Society meeting held in November 2009. We currently plan to initiate a registration trial following regulatory review of the palifosfamide program to date. We are also developing an oral capsule form of palifosfamide to be studied clinically following receipt of further data from the IV trials and subject to obtaining sufficient additional

sources of funding, either from potential

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partnering arrangements or from other sources. To date we have no such partnering arrangements or other sources of such financing in place. We are also considering additional Phase II trials in other solid tumors as funding becomes available. Orphan Drug Designation for palifosfamide has been obtained in both the United States and the European Union for the treatment of soft tissue sarcomas.

ZIO-301 or indibulin (Zybulin™), is a novel, orally available small molecular-weight inhibitor of tubulin polymerization that we acquired from Baxter Healthcare in 2006 and is the subject of numerous patents worldwide, including the United States, the European Union and Japan. The microtubule component, tubulin, is one of the more well established drug targets in cancer. Microtubule inhibitors interfere with the dynamics of tubulin polymerization, resulting in inhibition of chromosome segregation during mitosis and consequently inhibition of cell division. A number of marketed IV anticancer drugs target tubulin, such as the taxane family members, paclitaxel (Taxol®), docetaxel (Taxotere®), the Vinca alkaloid family members, vincristine and vinorelbine, and the new class of epothilones with Ixempra™ marketed. This class of agents is typically the mainstay of therapy in a wide variety of indications. In spite of their effectiveness, the use of these drugs is associated with significant toxicities, notably peripheral neurotoxicity.

Preclinical studies with indibulin demonstrate significant and broad antitumor activity, including activity against taxane-refractory cell lines. The cytotoxic activity of indibulin was demonstrated in several rodent and human tumor cell lines derived from prostate, brain, breast, pancreas, lung, ovary, and cervical tumor tissues and in rodent tumor and human tumor xenograft models. In addition, indibulin was effective against multidrug resistant tumor cell lines (breast, lung, and leukemia) both in vitro and in vivo. Indibulin is potentially safer than other tubulin inhibitors. No

neurotoxicity has been observed at therapeutic doses in rodents and in the Phase I trials. Indibulin has also demonstrated synergy with approved anti-cancer agents in preclinical studies. The availability of an oral capsule formulation of indibulin creates significant commercial opportunity because no oral capsule formulations of the taxane family are currently on the market in the United States.

Indibulin, as a single agent, has completed Phase I trials in patients with advanced solid tumors. We have reported clinical activity at well-tolerated doses using a continuous dosing scheme without the development of clinically relevant peripheral neuropathy. Following encouraging results obtained with indibulin in combination with erlotinib, and 5-FU in preclinical models, two Phase I combination studies were initiated with Tarceva™ and Xeloda™, respectively. Favorable activity and safety profile of oral indibulin with oral Xeloda™ were reported at ASCO's annual meeting in May 2009. Preclinical work with our consultant, Dr. Larry Norton, to explore dose scheduling for the clinical setting have been completed, with results supporting the recently initiated Phase I safety trial necessary for a Phase I/II breast cancer trial and using the mathematical dose schedule / frequency established preclinically.

We intend to continue with clinical development of IV palifosfamide for soft tissue sarcoma both completing the ongoing Phase II multicenter, parallel group, randomized study of palifosfamide plus doxorubicin versus doxorubicin in subjects with unresectable or metastatic soft tissue sarcoma (PICASSO) trial and in a planned registration trial and, with additional resources, to initiate a clinical study with the oral form and/or in additional indications beyond STS. For IV darinafarsin, we will complete the ongoing Phase I oral trial and will address peripheral T-cell lymphoma (PTCL) registration and other trials, in part dependent on additional funding. For oral indibulin, we will complete the Phase I breast cancer safety trial and initiate the subsequent Phase I/II trial and, with additional funding, other trials. However, the successful development of our product candidates is highly uncertain. Product development costs and timelines can vary significantly for each product candidate, are difficult to accurately predict, and will require us to obtain additional funding, either alone or in connection with partnering arrangements. Various statutes and regulations also govern or influence the manufacturing, safety, labeling, storage, record keeping and marketing of each product. The lengthy process of seeking approval and the subsequent compliance with applicable statutes and regulations require the expenditure of substantial resources. Any failure by us to obtain, or any delay in obtaining, regulatory approvals could materially, adversely affect our business. To date, we have not received

approval for the sale of any drug candidates in any market and, therefore, have not generated any revenues from our drug candidates.

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Corporate Information

We were originally incorporated in Colorado in September 1998 (under the name Net Escapes, Inc.) and later changed our name to EasyWeb, Inc. in February 1999. We were re-incorporated in Delaware on May 16, 2005 under the same name. On September 13, 2005, we completed a reverse acquisition of privately held ZIOPHARM, Inc., a Delaware corporation. To effect this transaction, we caused ZIO Acquisition Corp., our wholly-owned subsidiary, to merge with and into ZIOPHARM, Inc., with ZIOPHARM, Inc. surviving as our wholly owned subsidiary. In accordance with the terms of the merger, the outstanding common stock of ZIOPHARM, Inc. automatically converted into the right to receive an aggregate of approximately 97.3% of our outstanding common stock (after giving effect to the transaction).

Following the merger, we caused ZIOPHARM, Inc. to merge with and into us and we changed our name to ZIOPHARM Oncology, Inc. Although EasyWeb, Inc. was the legal acquirer in the transaction, we accounted for the transaction as a reverse acquisition under generally accepted accounting principles. As a result, ZIOPHARM, Inc. became the registrant with the Securities and Exchange Commission and the historical financial statements of ZIOPHARM, Inc. became our historical financial statements.

Our executive offices are located at 1180 Avenue of the Americas, 19th Floor, New York, NY 10036, and our telephone number is (646) 214-0700. Our internet site is *www.ziopharm.com*. None of the information on our internet site is part of this prospectus.

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RISK FACTORS

As with most pharmaceutical product candidates, the development of our product candidates is subject to numerous risks, including the risk of delays in or discontinuation of development from lack of financing, inability to obtain necessary regulatory approvals to market the products, unforeseen safety issues relating to the products and dependence on third party collaborators to conduct research and development of the products. Because we are a development stage company with a limited history of operations, we are also subject to many risks associated with early-stage companies. For a more detailed discussion of the risks you should consider before purchasing shares of our common stock, you should carefully consider the specific risks discussed under **Risk Factors** in the applicable prospectus supplement and in our filings with the Securities and Exchange Commission that are incorporated by reference in this prospectus and such prospectus supplement.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains, and the documents incorporated by reference herein and in any prospectus supplement hereto may contain, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the **Securities Act**), and Section 21E of the Securities Exchange Act of 1934, as amended (the **Exchange Act**). These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. Forward-looking statements may include, but are not limited to statements about:

- the progress and timing of preclinical and clinical trials involving our drug candidates;
- the progress and timing of our research and development programs;
- the benefits to be derived from relationships with our collaborators;
- the receipt or anticipated receipt of regulatory clearances and approvals;
- our ability to enforce intellectual property rights;
- our estimates of future revenues and profitability; and
- our estimates regarding our capital requirements and our need for additional financing.

In some cases, you can identify forward-looking statements by terms such as **may**, **will**, **should**, **could**, **would**, **plans**, **anticipates**, **believes**, **estimates**, **projects**, **predicts**, **potential** and similar expressions intended to forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. We discuss many of these risks in greater detail under the heading **Risk Factors** in the applicable prospectus supplement and in our reports filed from time to time under the Securities Act and/or the Exchange Act. We encourage you to read these filings as they are made.

Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

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The following table shows our ratio of earnings to fixed charges for the periods indicated.

\$ In Thousands, Except Ratio	Fiscal Year Ended December 31,					Three
	2005	2006	2007	2008	2009	Months Ended March 31, 2010
Ratio of earnings to fixed charges ⁽¹⁾						
Deficiency of earnings to fixed charges ⁽²⁾	\$(9,517)	\$(17,857)	\$(26,608)	\$(25,231)	\$(7,649)	\$(17,653)

(1) In each of the periods presented, no earnings were sufficient to cover fixed charges.

(2) The deficiency of earnings is equivalent to net income (loss) before tax benefit (provision) and extraordinary gain.

USE OF PROCEEDS

We will retain broad discretion over the use of the net proceeds to us from the sale of our securities offered by this prospectus. Unless we indicate otherwise in the applicable prospectus supplement, we anticipate that any net proceeds will be used for working capital and general corporate purposes. We will set forth in the applicable prospectus supplement our intended use for the net proceeds received from the sale of securities sold pursuant to that prospectus supplement.

PLAN OF DISTRIBUTION

We may sell the securities covered by this prospectus:

to or through one or more underwriters or dealers;
directly to purchasers, or to purchasers through agents; or
through a combination of any of these methods of sale.

We may distribute the securities offered hereby:

from time to time in one or more transactions at a fixed price or prices, which may be changed from time to time;
at market prices prevailing at the times of sale;
at prices related to such prevailing market prices; or
at negotiated prices.

We will describe the method of distribution of the securities in the applicable prospectus supplement.

We may determine the price or other terms of the securities offered under this prospectus by use of an electronic auction. We will describe how any auction will determine the price or any other terms, how potential investors may participate in the auction and the nature of the obligations of the underwriter, dealer or agent in the applicable prospectus supplement.

Underwriters, dealers or agents may receive compensation in the form of discounts, concessions or commissions from us or our purchasers (as their agents in connection with the sale of the securities). In addition, underwriters may sell securities to or through dealers, and those dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they act as agent. These underwriters, dealers or agents may be considered to be underwriters under the Securities Act. As a result, discounts, commissions, or profits on resale received by the underwriters, dealers or agents may be treated as underwriting discounts and commissions. Each applicable prospectus supplement will identify any such underwriter, dealer or agent, and describe any compensation received by them from us. Any initial public offering price and any discounts or concessions allowed or re-allowed or paid to dealers may be changed from time to time.

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We may enter into agreements that provide for indemnification against certain civil liabilities, including liabilities under the Securities Act, or for contribution with respect to payments made by the underwriters, dealers or agents and to reimburse these persons for certain expenses.

We may grant underwriters who participate in the distribution of the securities an option to purchase additional securities to cover over-allotments, if any, in connection with the distribution. Underwriters or agents and their associates may be customers of, engage in transactions with, or perform services for us in the ordinary course of business.

In connection with the offering of the securities, certain underwriters and selling group members and their respective affiliates, may engage in transactions that stabilize, maintain or otherwise affect the market price of the securities. These transactions may include stabilization transactions effected in accordance with Rule 104 of Regulation M promulgated by the SEC pursuant to which these persons may bid for or purchase securities for the purpose of stabilizing its market price.

The underwriters in the offering may engage in overallotment, stabilizing transactions, short covering transactions and penalty bids in accordance with rules and regulations under the Securities Exchange Act of 1934, as amended (the Exchange Act). Overallotment involves sales in excess of the offering size, which create a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Short covering transactions involve purchases of the securities in the open market after the distribution is completed to cover short positions. Penalty bids permit the underwriters to reclaim a selling concession from a dealer when the securities originally sold by the dealer are purchased in a covering transaction to cover short positions. Those activities may cause the price of the securities to be higher than it would otherwise be. If commenced, the underwriters may discontinue any of these activities at any time.

In compliance with guidelines of the Financial Industry Regulatory Authority, or FINRA, the maximum consideration or discount to be received by any FINRA member or independent broker dealer may not exceed 8% of the aggregate amount of the securities offered pursuant to this prospectus and any applicable prospectus supplement.

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DESCRIPTION OF CAPITAL STOCK

Pursuant to our certificate of incorporation, as amended and restated to date, our authorized capital stock consists of 280,000,000 shares, comprised of 250,000,000 shares of common stock, par value \$.001 per share, and 30,000,000 shares of preferred stock, par value \$.001 per share. As of May 7, 2010, there were 41,824,732 shares of common stock and no shares of preferred stock issued and outstanding. Our common stock is traded on the Nasdaq Capital Market under the symbol ZIOP .

The following description summarizes the material terms of our capital stock. This summary is, however, subject to the provisions of our certificate of incorporation and bylaws. For greater detail about our capital stock, please refer to our certificate of incorporation and bylaws.

Common Stock

Voting. The holders of our common stock are entitled to one vote for each outstanding share of common stock owned by such stockholder on every matter properly submitted to the stockholders for their vote. Stockholders are not entitled to vote cumulatively for the election of directors. At any meeting of the stockholders, a quorum as to any matter shall consist of a majority of the votes entitled to be cast on the matter, except where a larger quorum is required by law, by our certificate of incorporation or by our bylaws.

Dividend Rights. Holders of our common stock are entitled to receive ratably dividends and other distributions of cash or any other right or property as may be declared by the registrant's Board of Directors out of our assets or funds legally available for such dividends or distributions. The dividend rights of holders of common stock are subject to the dividend rights of the holders of any series of preferred stock that may be issued and outstanding from time to time.

Liquidation Rights. In the event of any voluntary or involuntary liquidation, dissolution or winding up of our affairs, holders of our common stock would be entitled to share ratably in our assets that are legally available for distribution to stockholders after payment of liabilities. If we have any preferred stock outstanding at such time, the holders of such preferred stock may be entitled to distribution and/or liquidation preferences that require us to pay the applicable distribution to the holders of preferred stock before paying distributions to the holders of common stock.

Conversion, Redemption and Preemptive Rights. Holders of our common stock have no conversion, redemption, preemptive, subscription or similar rights.

The transfer agent and registrar for our common stock is American Stock Transfer and Trust Company.

See Certain Provisions of Delaware Law, the Company's Certificate of Incorporation and Bylaws for a description of provisions of the Company's certificate of incorporation and bylaws which may have the effect of delaying, deferring or preventing changes in the Company's control.

Preferred Stock

The following description of preferred stock and the description of the terms of any particular series of preferred stock that we choose to issue hereunder and that will be set forth in the related prospectus supplement are not complete.

These descriptions are qualified in their entirety by reference to the certificate of designation relating to that series. The rights, preferences, privileges and restrictions of the preferred stock of each series will be fixed by the certificate

of designation relating to that series.

The board of directors has the authority, without stockholder approval, subject to limitations prescribed by law, to provide for the issuance of the shares of preferred stock in one or more series, and by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each series and the qualifications, limitations or restrictions, including, but not limited to, the following:

the number of shares constituting that series;
dividend rights and rates;
voting rights;

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conversion terms;
rights and terms of redemption (including sinking fund provisions); and
rights of the series in the event of liquidation, dissolution or winding up.
All shares of preferred stock offered hereby will, when issued, be fully paid and nonassessable and will not have any preemptive or similar rights. Our board of directors could authorize the issuance of shares of preferred stock with terms and conditions that could have the effect of discouraging a takeover or other transaction that might involve a premium price for holders of the shares or which holders might believe to be in their best interests.

We will set forth in a prospectus supplement relating to the series of preferred stock being offered the following items:

the title and stated value of the preferred stock;
the number of shares of the preferred stock offered, the liquidation preference per share and the offering price of the preferred stock;
the dividend rate(s), period(s) and/or payment date(s) or method(s) of calculation applicable to the preferred stock;
whether dividends are cumulative or non-cumulative and, if cumulative, the date from which dividends on the preferred stock will accumulate;
the procedures for any auction and remarketing, if any, for the preferred stock;
the provisions for a sinking fund, if any, for the preferred stock;
the provision for redemption, if applicable, of the preferred stock;
any listing of the preferred stock on any securities exchange;
the terms and conditions, if applicable, upon which the preferred stock will be convertible into common stock, including the conversion price (or manner of calculation) and conversion period;
voting rights, if any, of the preferred stock;
a discussion of any material and/or special United States federal income tax considerations applicable to the preferred stock;
the relative ranking and preferences of the preferred stock as to dividend rights and rights upon the liquidation, dissolution or winding up of our affairs;
any limitations on issuance of any class or series of preferred stock ranking senior to or on a parity with the class or series of preferred stock as to dividend rights and rights upon liquidation, dissolution or winding up of our affairs; and
any other specific terms, preferences, rights, limitations or restrictions of the preferred stock.
The transfer agent and registrar for any series of preferred stock will be set forth in the applicable prospectus supplement.

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DESCRIPTION OF DEBT SECURITIES

General

The terms of each series of debt securities will be established by or pursuant to a resolution of our board of directors and set forth or determined in the manner provided in an officers' certificate or by a supplemental indenture. Debt securities may be issued in separate series without limitation as to aggregate principal amount. We may specify a maximum aggregate principal amount for the debt securities of any series. The particular terms of each series of debt securities will be described in a prospectus supplement relating to such series, including any pricing supplement. The prospectus supplement will set forth specific terms relating to some or all of the following:

the offering price;

the title;

any limit on the aggregate principal amount;

the person who shall be entitled to receive interest, if other than the record holder on the record date;

the date the principal will be payable;

the interest rate, if any, the date interest will accrue, the interest payment dates and the regular record dates;

the place where payments may be made;

any mandatory or optional redemption provisions;

if applicable, the method for determining how the principal, premium, if any, or interest will be calculated by reference to an index or formula;

if other than U.S. currency, the currency or currency units in which principal, premium, if any, or interest will be payable and whether we or the holder may elect payment to be made in a different currency;

the portion of the principal amount that will be payable upon acceleration of stated maturity, if other than the entire principal amount;

any defeasance provisions if different from those described below under "Satisfaction and Discharge; Defeasance";

any conversion or exchange provisions;

any obligation to redeem or purchase the debt securities pursuant to a sinking fund;

whether the debt securities will be issuable in the form of a global security;

any subordination provisions, if different from those described below under "Subordination";

any deletions of, or changes or additions to, the events of default or covenants; and

any other specific terms of such debt securities.

Unless otherwise specified in the prospectus supplement, the debt securities will be registered debt securities. Debt securities may be sold at a substantial discount below their stated principal amount, bearing no interest or interest at a rate which at the time of issuance is below market rates.

Exchange and Transfer

Debt securities may be transferred or exchanged at the office of the security registrar or at the office of any transfer agent designated by us.

We will not impose a service charge for any transfer or exchange, but we may require holders to pay any tax or other governmental charges associated with any transfer or exchange.

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In the event of any potential redemption of debt securities of any series, we will not be required to:

issue, register the transfer of, or exchange, any debt security of that series during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption and ending at the close of business on the day of the mailing; or

register the transfer of or exchange any debt security of that series selected for redemption, in whole or in part, except the unredeemed portion being redeemed in part.

We may initially appoint the trustee as the security registrar. Any transfer agent, in addition to the security registrar, initially designated by us will be named in the prospectus supplement. We may designate additional transfer agents or change transfer agents or change the office of the transfer agent. However, we will be required to maintain a transfer agent in each place of payment for the debt securities of each series.

Global Securities

The debt securities of any series may be represented, in whole or in part, by one or more global securities. Each global security will:

be registered in the name of a depository that we will identify in a prospectus supplement;
be deposited with the depository or nominee or custodian; and
bear any required legends.

No global security may be exchanged in whole or in part for debt securities registered in the name of any person other than the depository or any nominee unless:

the depository has notified us that it is unwilling or unable to continue as depository or has ceased to be qualified to act as depository;

an event of default is continuing; or

the Company executes and delivers to the trustee an officers' certificate stating that the global security is exchangeable.

As long as the depository, or its nominee, is the registered owner of a global security, the depository or nominee will be considered the sole owner and holder of the debt securities represented by the global security for all purposes under the indenture. Except in the above limited circumstances, owners of beneficial interests in a global security:

will not be entitled to have the debt securities registered in their names;
will not be entitled to physical delivery of certificated debt securities; and
will not be considered to be holders of those debt securities under the indentures.

Payments on a global security will be made to the depository or its nominee as the holder of the global security. Some jurisdictions have laws that require that certain purchasers of securities take physical delivery of such securities in definitive form. These laws may impair the ability to transfer beneficial interests in a global security.

Institutions that have accounts with the depository or its nominee are referred to as participants. Ownership of beneficial interests in a global security will be limited to participants and to persons that may hold beneficial interests through participants. The depository will credit, on its book-entry registration and transfer system, the respective principal amounts of debt securities represented by the global security to the accounts of its participants.

Ownership of beneficial interests in a global security will be shown on and effected through records maintained by the depository, with respect to participants' interests, or any participant, with respect to interests of persons held by participants on their behalf.

Payments, transfers and exchanges relating to beneficial interests in a global security will be subject to policies and procedures of the depository.

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The depositary policies and procedures may change from time to time. Neither we nor the trustee will have any responsibility or liability for the depositary's or any participant's records with respect to beneficial interests in a global security.

Payment and Paying Agent

The provisions of this paragraph will apply to the debt securities unless otherwise indicated in the prospectus supplement. Payment of interest on a debt security on any interest payment date will be made to the person in whose name the debt security is registered at the close of business on the regular record date. Payment on debt securities of a particular series will be payable at the office of a paying agent or paying agents designated by us. However, at our option, we may pay interest by mailing a check to the record holder. The corporate trust office will be designated as our sole paying agent.

We may also name any other paying agents in the prospectus supplement. We may designate additional paying agents, change paying agents or change the office of any paying agent. However, we will be required to maintain a paying agent in each place of payment for the debt securities of a particular series.

All moneys paid by us to a paying agent for payment on any debt security which remain unclaimed at the end of two years after such payment was due will be repaid to us. Thereafter, the holder may look only to us for such payment.

Consolidation, Merger and Sale of Assets

Except as otherwise set forth in the prospectus supplement, we may not consolidate with or merge into any other person, in a transaction in which we are not the surviving corporation, or convey, transfer or lease our properties and assets substantially as an entirety to, any person, unless:

- the successor, if any, is a U.S. corporation, limited liability company, partnership, trust or other entity;
- the successor assumes our obligations on the debt securities and under the indenture;
- immediately after giving effect to the transaction, no default or event of default shall have occurred and be continuing; and
- certain other conditions are met.

Events of Default

Unless we inform you otherwise in the prospectus supplement, the indenture will define an event of default with respect to any series of debt securities as one or more of the following events:

- (1) failure to pay principal of or any premium on any debt security of that series when due;
- (2) failure to pay any interest on any debt security of that series for 30 days when due;
- (3) failure to deposit any sinking fund payment when due;
- (4) failure to perform any other covenant in the indenture continued for 90 days after being given the notice required in the indenture;
- (5) our bankruptcy, insolvency or reorganization; and
- (6) any other event of default specified in the prospectus supplement.

An event of default of one series of debt securities is not necessarily an event of default for any other series of debt securities.

If an event of default, other than an event of default described in clause (5) above, shall occur and be continuing, either the trustee or the holders of at least 25% in aggregate principal amount of the outstanding securities of that series may declare the principal amount of the debt securities of that series to be due and payable immediately.

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If an event of default described in clause (5) above shall occur, the principal amount of all the debt securities of that series will automatically become immediately due and payable. Any payment by us on subordinated debt securities following any such acceleration will be subject to the subordination provisions described below under Subordinated Debt Securities.

After acceleration the holders of a majority in aggregate principal amount of the outstanding securities of that series may, under certain circumstances, rescind and annul such acceleration if all events of default, other than the non-payment of accelerated principal, or other specified amount, have been cured or waived.

Other than the duty to act with the required care during an event of default, the trustee will not be obligated to exercise any of its rights or powers at the request of the holders unless the holders shall have offered to the trustee reasonable indemnity. Generally, the holders of a majority in aggregate principal amount of the outstanding debt securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee.

A holder will not have any right to institute any proceeding under the indentures, or for the appointment of a receiver or a trustee, or for any other remedy under the indentures, unless:

- (1) the holder has previously given to the trustee written notice of a continuing event of default with respect to the debt securities of that series;
- (2) the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series have made a written request and have offered reasonable indemnity to the trustee to institute the proceeding; and the trustee has failed to institute the proceeding and has not received direction inconsistent with the original request
- (3) from the holders of a majority in aggregate principal amount of the outstanding debt securities of that series within 90 days after the original request.

Holders may, however, sue to enforce the payment of principal or interest on any debt security on or after the due date without following the procedures listed in (1) through (3) above.

Modification and Waiver

Except as provided in the next two succeeding paragraphs, the applicable trustee and we may make modifications and amendments to the indentures (including, without limitation, through consents obtained in connection with a tender offer or exchange offer for, outstanding securities) and may waive any existing default or event of default (including, without limitation, through consents obtained in connection with a tender offer or exchange offer for, outstanding securities) with the consent of the holders of a majority in aggregate principal amount of the outstanding securities of each series affected by the modification or amendment.

However, neither we nor the trustee may make any amendment or waiver without the consent of the holder of each outstanding security of that series affected by the amendment or waiver if such amendment or waiver would, among other things:

- change the amount of securities whose holders must consent to an amendment, supplement or waiver;
- change the stated maturity of any debt security;
- reduce the principal on any debt security or reduce the amount of, or postpone the date fixed for, the payment of any sinking fund;
- reduce the principal of an original issue discount security on acceleration of maturity;
- reduce the rate of interest or extend the time for payment of interest on any debt security;

make a principal or interest payment on any debt security in any currency other than that stated in the debt security;
impair the right to enforce any payment after the stated maturity or redemption date;

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waive any default or event of default in payment of the principal of, premium or interest on any debt security (except certain rescissions of acceleration); or

waive a redemption payment or modify any of the redemption provisions of any debt security.

Notwithstanding the preceding, without the consent of any holder of outstanding securities, we and the trustee may amend or supplement the indentures:

to provide for the issuance of and establish the form and terms and conditions of debt securities of any series as permitted by the indenture;

to provide for uncertificated securities in addition to or in place of certificated securities;

to provide for the assumption of our obligations to holders of any debt security in the case of a merger, consolidation, transfer or sale of all or substantially all of our assets;

to make any change that does not adversely affect the legal rights under the indenture of any such holder;

to comply with requirements of the Commission in order to effect or maintain the qualification of an indenture under the Trust Indenture Act; or

to evidence and provide for the acceptance of appointment by a successor trustee with respect to the debt securities of one or more series and to add to or change any of the provisions of the indenture as shall be necessary to provide for or facilitate the administration of the trusts by more than one Trustee.

The consent of holders is not necessary under the indentures to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

Satisfaction and Discharge; Defeasance

We may be discharged from our obligations on the debt securities of any series that have matured or will mature or be redeemed within one year if we deposit with the trustee enough cash to pay all the principal, interest and any premium due to the stated maturity date or redemption date of the debt securities.

Each indenture contains a provision that permits us to elect:

to be discharged from all of our obligations, subject to limited exceptions, with respect to any series of debt securities then outstanding; and/or

to be released from our obligations under the following covenants and from the consequences of an event of default resulting from a breach of certain covenants, including covenants as to payment of taxes and maintenance of corporate existence.

To make either of the above elections, we must deposit in trust with the trustee enough money to pay in full the principal and interest on the debt securities. This amount may be made in cash and/or U.S. government obligations. As a condition to either of the above elections, we must deliver to the trustee an opinion of counsel that the holders of the debt securities will not recognize income, gain or loss for federal income tax purposes as a result of the action.

If any of the above events occurs, the holders of the debt securities of the series will not be entitled to the benefits of the indenture, except for the rights of holders to receive payments on debt securities or the registration of transfer and exchange of debt securities and replacement of lost, stolen or mutilated debt securities.

Notices

Notices to holders will be given by mail to the addresses of the holders in the security register.

Governing Law

The indentures and the debt securities will be governed by, and construed under, the law of the State of New York.

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Regarding the Trustee

The indenture limits the right of the trustee, should it become a creditor of us, to obtain payment of claims or secure its claims.

The trustee is permitted to engage in certain other transactions. However, if the trustee acquires any conflicting interest, and there is a default under the debt securities of any series for which they are trustee, the trustee must eliminate the conflict or resign.

Subordination

Payment on subordinated debt securities will, except as otherwise provided in the indenture, be subordinated in right of payment to the prior payment in full of all of our senior indebtedness (except that holders of the notes may receive and retain (i) permitted junior securities and (ii) payments made from the trust described under Satisfaction and Discharge; Defeasance). Any subordinated debt securities also are effectively subordinated to all debt and other liabilities, including lease obligations, if any.

Upon any distribution of our assets upon any dissolution, winding up, liquidation or reorganization, the payment of the principal of and interest on subordinated debt securities will be subordinated in right of payment to the prior payment in full in cash or other payment satisfactory to the holders of senior indebtedness. In the event of any acceleration of subordinated debt securities because of an event of default, the holders of any senior indebtedness would be entitled to payment in full in cash or other payment satisfactory to such holders of all senior indebtedness obligations before the holders of subordinated debt securities are entitled to receive any payment or distribution, except for certain payments made by the trust described under Satisfaction and Discharge; Defeasance. The indenture requires us or the trustee to promptly notify holders of designated senior indebtedness if payment of subordinated debt securities is accelerated because of an event of default.

We may not make any payment on subordinated debt securities, including upon redemption at the option of the holder of any subordinated debt securities or at our option, if:

a default in the payment of the principal, premium, if any, interest, rent or other obligations in respect of designated senior indebtedness occurs and is continuing beyond any applicable period of grace (called a payment default); or
a default other than a payment default on any designated senior indebtedness occurs and is continuing that permits holders of designated senior indebtedness to accelerate its maturity, and the trustee receives notice of such default (called a payment blockage notice) from us or any other person permitted to give such notice under the indenture (called a non-payment default).

If the trustee or any holder of the notes receives any payment or distribution of our assets in contravention of the subordination provisions on subordinated debt securities before all senior indebtedness is paid in full in cash, property or securities, including by way of set-off, or other payment satisfactory to holders of senior indebtedness, then such payment or distribution will be held in trust for the benefit of holders of senior indebtedness or their representatives to the extent necessary to make payment in full in cash or payment satisfactory to the holders of senior indebtedness of all unpaid senior indebtedness.

In the event of our bankruptcy, dissolution or reorganization, holders of senior indebtedness may receive more, ratably, and holders of subordinated debt securities may receive less, ratably, than our other creditors (including our trade creditors). This subordination will not prevent the occurrence of any event of default under the indenture.

We are not prohibited from incurring debt, including senior indebtedness, under the indenture unless otherwise provided in the indenture. We may from time to time incur additional debt, including senior indebtedness.

We are obligated to pay reasonable compensation to the trustee and to indemnify the trustee against certain losses, liabilities or expenses incurred by the trustee in connection with its duties under the indenture. The trustee's claims for these payments will generally be senior to those of noteholders in respect of all funds collected or held by the trustee.

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Certain Definitions

indebtedness means:

- all indebtedness, obligations and other liabilities for borrowed money, including overdrafts, foreign exchange contracts, currency exchange agreements, interest rate protection agreements, and any loans or advances from
- (1) banks, or evidenced by bonds, debentures, notes or similar instruments, other than any account payable or other accrued current liability or obligation incurred in the ordinary course of business in connection with the obtaining of materials or services;
 - (2) all reimbursement obligations and other liabilities with respect to letters of credit, bank guarantees or bankers acceptances;
 - (3) all obligations and liabilities in respect of leases required in conformity with generally accepted accounting principles to be accounted for as capitalized lease obligations on our balance sheet;
 - (4) all obligations and other liabilities under any lease or related document in connection with the lease of real property which provides that we are contractually obligated to purchase or cause a third party to purchase the leased property and thereby guarantee a minimum residual value of the leased property to the lessor and our obligations under the lease or related document to purchase or to cause a third party to purchase the leased property;
 - (5) all obligations with respect to an interest rate or other swap, cap or collar agreement or other similar instrument or agreement or foreign currency hedge, exchange, purchase or other similar instrument or agreement;
 - (6) all direct or indirect guaranties or similar agreements in respect of, and our obligations or liabilities to purchase, acquire or otherwise assure a creditor against loss in respect of, indebtedness, obligations or liabilities of others of the type described in (1) through (5) above;
 - (7) any indebtedness or other obligations described in (1) through (6) above secured by any mortgage, pledge, lien or other encumbrance existing on property which is owned or held by us; and
 - (8) any and all refinancings, replacements, deferrals, renewals, extensions and refundings of, or amendments, modifications or supplements to, any indebtedness, obligation or liability of the kind described in clauses (1) through (7) above.
- permitted junior securities means (i) equity interests in the Company; or (ii) debt securities of the Company that are subordinated to all senior indebtedness and any debt securities issued in exchange for senior indebtedness to substantially the same extent as, or to a greater extent than the notes are subordinated to senior indebtedness under the indenture.

senior indebtedness means the principal, premium, if any, interest, including any interest accruing after bankruptcy, and rent or termination payment on or other amounts due on our current or future indebtedness, whether created, incurred, assumed, guaranteed or in effect guaranteed by us, including any deferrals, renewals, extensions, refundings, amendments, modifications or supplements to the above. However, senior indebtedness does not include:

indebtedness that expressly provides that it shall not be senior in right of payment to subordinated debt securities or expressly provides that it is on the same basis or junior to subordinated debt securities;

our indebtedness to any of our majority-owned subsidiaries; or
subordinated debt securities.

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DESCRIPTION OF WARRANTS

General

We may issue warrants for the purchase of our debt securities, preferred stock or common stock, or any combination thereof. Warrants may be issued independently or together with our debt securities, preferred stock or common stock and may be attached to or separate from any offered securities. Each series of warrants will be issued under a separate warrant agreement. We may enter into a warrant agreement with a bank or trust company, as warrant agent. We will indicate the name and address and other information regarding the warrant agent in the applicable prospectus supplement relating to a particular series of warrants. The warrant agent will act solely as our agent in connection with the warrants. The warrant agent will not have any obligation or relationship of agency or trust for or with any holders or beneficial owners of warrants. This summary of certain provisions of the warrants is not complete. For the terms of a particular series of warrants, you should refer to the prospectus supplement for that series of warrants and the warrant agreement for that particular series.

Debt Warrants

The prospectus supplement relating to a particular issue of warrants to purchase debt securities will describe the terms of the debt warrants, including the following:

- the title of the debt warrants;
- the offering price for the debt warrants, if any;
- the aggregate number of the debt warrants;
- the designation and terms of the debt securities, including any conversion rights, purchasable upon exercise of the debt warrants;
- if applicable, the date from and after which the debt warrants and any debt securities issued with them will be separately transferable;
- the principal amount of debt securities that may be purchased upon exercise of a debt warrant and the exercise price for the warrants, which may be payable in cash, securities or other property;
- the dates on which the right to exercise the debt warrants will commence and expire;
- if applicable, the minimum or maximum amount of the debt warrants that may be exercised at any one time;
- whether the debt warrants represented by the debt warrant certificates or debt securities that may be issued upon exercise of the debt warrants will be issued in registered or bearer form;
- information with respect to book-entry procedures, if any;
- the currency or currency units in which the offering price, if any, and the exercise price are payable;
- if applicable, a discussion of material U.S. federal income tax considerations;
- the antidilution provisions of the debt warrants, if any;
- the redemption or call provisions, if any, applicable to the debt warrants;
- any provisions with respect to the holder's right to require us to repurchase the warrants upon a change in control or similar event; and
- any additional terms of the debt warrants, including procedures, and limitations relating to the exchange, exercise and settlement of the debt warrants.

Debt warrant certificates will be exchangeable for new debt warrant certificates of different denominations. Debt warrants may be exercised at the corporate trust office of the warrant agent or any other office indicated in the prospectus supplement. Prior to the exercise of their debt warrants, holders of debt warrants will not have any of the rights of holders of the debt securities purchasable upon exercise and will not be entitled to payment of principal or

any premium, if any, or interest on the debt securities purchasable upon exercise.

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Equity Warrants

The prospectus supplement relating to a particular series of warrants to purchase our common stock or preferred stock will describe the terms of the warrants, including the following:

the title of the warrants;
the offering price for the warrants, if any;
the aggregate number of warrants;
the designation and terms of the common stock or preferred stock that may be purchased upon exercise of the warrants;
if applicable, the designation and terms of the securities with which the warrants are issued and the number of warrants issued with each security;
if applicable, the date from and after which the warrants and any securities issued with the warrants will be separately transferable;
the number of shares of common stock or preferred stock that may be purchased upon exercise of a warrant and the exercise price for the warrants;
the dates on which the right to exercise the warrants shall commence and expire;
if applicable, the minimum or maximum amount of the warrants that may be exercised at any one time;
the currency or currency units in which the offering price, if any, and the exercise price are payable;
if applicable, a discussion of material U.S. federal income tax considerations;
the antidilution provisions of the warrants, if any;
the redemption or call provisions, if any, applicable to the warrants;
any provisions with respect to holder's right to require us to repurchase the warrants upon a change in control or similar event; and
any additional terms of the warrants, including procedures, and limitations relating to the exchange, exercise and settlement of the warrants.

Holders of equity warrants will not be entitled:

to vote, consent or receive dividends;
to receive notice as stockholders with respect to any meeting of stockholders for the election of our directors or any other matter; or
to exercise any rights as stockholders of the Company.

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CERTAIN PROVISIONS OF DELAWARE LAW, THE CERTIFICATE OF INCORPORATION AND BYLAWS

Limitations on Directors Liability

Our certificate of incorporation and our bylaws contain provisions indemnifying our directors and officers to the fullest extent permitted by law. In addition, as permitted by Delaware law, our certificate of incorporation provides that no director will be liable to us or our stockholders for monetary damages for breach of certain fiduciary duties as a director. The effect of this provision is to restrict our rights and the rights of our stockholders in derivative suits to recover monetary damages against a director for breach of certain fiduciary duties as a director, except that a director will be personally liable for:

the benefits to be derived from relationships with our collaborators;
any breach of his or her duty of loyalty to the registrant or its stockholders;
acts or omissions not in good faith which involve intentional misconduct or a knowing violation of law;
the payment of dividends or the redemption or purchase of stock in violation of Delaware law; or
any transaction from which the director derived an improper personal benefit.

This provision does not affect a director's liability under the federal securities laws.

To the extent that our directors, officers and controlling persons are indemnified under the provisions contained in our certificate of incorporation, Delaware law or contractual arrangements against liabilities arising under the Securities Act, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act, and is therefore unenforceable.

Provisions that May Have an Anti-Takeover Effect

Certain provisions set forth in our certificate of incorporation, bylaws and in Delaware law, which are summarized below, are intended to enhance the likelihood of continuity and stability in the composition of our Board of Directors and in the policies formulated by our Board of Directors and to discourage certain types of transactions that may involve an actual or threatened change of control. In that regard, these provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our common stock that could result from actual or rumored takeover attempts. Such provisions also may have the effect of preventing changes in our management.

Blank Check Preferred Stock. Our certificate of incorporation contains provisions that permit our Board of Directors to issue, without any further vote or action by the stockholders, up to 30,000,000 shares of preferred stock in one or more series and, with respect to each such series, to fix the number of shares constituting the series and the designation of the series, the voting powers (if any) of the shares of the series, and the preferences and relative, participating, optional and other special rights, if any, and any qualifications, limitations or restrictions, of the shares of such series. As a result, our Board of Directors could authorize the issuance of shares of preferred stock with terms and conditions that could have the effect of delaying, deferring or preventing a transaction or a change in control that

might involve a premium price for holders of the registrant's common stock or otherwise be in their best interest.

Special Meetings of Stockholders. Our bylaws provide that special meetings of stockholders may be called only by the Board of Directors. Stockholders are not permitted to call a special meeting of stockholders or to require that the Board of Directors call such a special meeting.

Delaware Takeover Statute.

In general, Section 203 of the Delaware General Corporation Law prohibits a Delaware corporation that is a public company from engaging in any business combination (as defined below) with any interested stockholder (defined generally as an entity or person beneficially owning 15% or more of the outstanding

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voting stock of the corporation and any entity or person affiliated with such entity or person) for a period of three years following the date that such stockholder became an interested stockholder, unless: (1) prior to such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder; (2) on consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (x) by persons who are directors and also officers and (y) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or (3) on or subsequent to such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least $66\frac{2}{3}\%$ of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 of the Delaware General Corporation Law defines business combination to include: (1) any merger or consolidation involving the corporation and the interested stockholder; (2) any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder; (3) subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder; (4) any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or (5) the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

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WHERE YOU CAN FIND MORE INFORMATION

We are a reporting company and file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy these reports, proxy statements and other information at the SEC's public reference room at 100 F. Street, N.E., Washington, D.C. 20549 or at the SEC's other public reference facilities. Please call the SEC at 1-800-SEC-0330 for more information about the operation of the public reference rooms. You can request copies of these documents by writing to the SEC and paying a fee for the copying costs. In addition, the SEC maintains an Internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. Our SEC filings are available on the SEC's Internet site.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

We are allowed to incorporate by reference information contained in documents that we file with the SEC. This means that we can disclose important information to you by referring you to those documents and that the information in this prospectus is not complete and you should read the information incorporated by reference for more detail. We incorporate by reference in two ways. First, we list certain documents that we have already filed with the SEC. The information in these documents is considered part of this prospectus. Second, the information in documents that we file in the future will update and supersede the current information in, and incorporated by reference in, this prospectus.

We incorporate by reference the documents listed below and any future filings we will make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act (other than information furnished in Current Reports on Form 8-K filed under Item 2.02 or 7.01 of such form), including filings made after the date of the initial registration statement of which this prospectus is a part and prior to the effective date of such registration statement:

Annual Report on Form 10-K for the fiscal year ended December 31, 2009, filed on March 17, 2010, as amended by Amendment No. 1 to Annual Report on Form 10-K/A filed on April 30, 2010;

Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, filed on April 30, 2010;

Current Reports on Form 8-K filed on January 27, 2010 and April 6, 2010; and

The description of our common stock set forth in the registration statement on Form 8-A registering our common stock under Section 12 of the Exchange Act, which was filed with the SEC on September 20, 2006.

We will provide to each person, including any beneficial owner, to whom a prospectus is delivered, a copy of any or all of the information that has been incorporated by reference in this prospectus but not delivered with this prospectus.

You may request a copy of this information at no cost, by writing or telephoning us at the following address or telephone number:

ZIOPHARM Oncology, Inc.
1180 Avenue of the Americas, 19th Floor
New York, NY 10036
Attention: President
Telephone: (646) 214-0700

You should rely only on the information incorporated by reference or provided in this prospectus or any supplement. We have not authorized anyone else to provide you with different information. The selling stockholders will not make an offer of these shares in any state where the offer is not permitted. You should not assume that the information in this prospectus or any supplement is accurate as of any date other than the date on the front of these documents.

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LEGAL MATTERS

The validity of the securities offered hereby will be passed upon by Maslon Edelman Borman & Brand, LLP, Minneapolis, Minnesota.

EXPERTS

The balance sheets of ZIOPHARM Oncology, Inc. as of December 31, 2009 and 2008 and the related statements of operations, changes in convertible preferred stock and stockholders' equity (deficit) and cash flows for each of the years in the three-year period ended December 31, 2009 and for the period from September 9, 2003 (date of inception) through December 31, 2009, included in this prospectus, have been included herein in reliance on the report, dated March 17, 2010, of Caturano and Company, P.C., independent registered public accounting firm, (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the change in the manner in which the Company accounts for certain warrants), given on the authority of that firm as experts in auditing and accounting.

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9,600,000 Shares

Common Stock

Prospectus Supplement
February 3, 2011

Barclays Capital
