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Proposed Attorneys for the Debtors and  
Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION

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In re:	:	Chapter 11
	:	
Greenbrier Hotel Corporation, <u>et al.</u> ,	:	Case No. 09-_____ (___)
	:	
Debtors.	:	(Joint Administration Pending)
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**AFFIDAVIT OF MICHAEL McGOVERN, CHIEF FINANCIAL OFFICER OF  
GREENBRIER HOTEL CORPORATION, IN SUPPORT OF  
CHAPTER 11 PETITIONS AND FIRST DAY PLEADINGS**

I, Michael McGovern, being duly sworn, hereby depose and state as follows:

1. I am the Chief Financial Officer of Greenbrier Hotel Corporation ("**GHC**"), a corporation incorporated under the laws of the State of West Virginia. GHC is a wholly owned subsidiary of The Greenbrier Resort and Club Management Company ("**GRCMC**"), a Virginia corporation. GHC is also the direct parent company of the other debtors herein: Greenbrier IA, Inc. ("**Greenbrier IA**"), Greenbrier Golf and Tennis Club Corporation ("**Greenbrier Golf & Tennis**"), Old White Club Corporation ("**Old White**"), and The Old White Development

Company (“**OWDC**,” and together with GHC, GRCCMC, Greenbrier IA, Greenbrier Golf & Tennis, and Old White, the “**Debtors**”).<sup>1</sup>

2. I am authorized to submit this affidavit in support of the Debtors’ chapter 11 petitions and the first day motions and proposed orders described herein (the “**First Day Motions and Orders**”). I am familiar with the Debtors’ day-to-day operations, business affairs, and books and records. I have also reviewed the Debtors’ First Day Motions and Orders and am familiar with the facts alleged and relief requested therein. I have personal knowledge of the facts, circumstances, and other matters set forth in the First Day Motions and Orders and in this affidavit, or have gained knowledge of such matters from the Debtors’ officers, employees, or retained advisers that report to me in the ordinary course of my responsibilities as Chief Financial Officer. If called as a witness, I would testify thereto and as follows:

**OVERVIEW OF THE DEBTORS**

3. On the date hereof (the “**Petition Date**”), each of the Debtors will file a voluntary petition for relief under chapter 11 of Title 11 of the United States Code (the “**Bankruptcy Code**”).

4. GHC owns and operates The Greenbrier, an iconic four-star, AAA Five-Diamond resort located in White Sulphur Springs, West Virginia. Originally founded in 1778, The Greenbrier is a National Historic Landmark and has long been known as one of the world’s leading luxury resorts, hosting 26 U.S. presidents, various foreign royalty, and countless political and business leaders.

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<sup>1</sup> The last four digits of the Debtors’ taxpayer identification numbers are: (i) Greenbrier Hotel Corporation (2133); (ii) The Greenbrier Resort and Club Management Company (8589); (iii) Greenbrier IA, Inc. (6471); (iv) The Old White Development Company (3021); (v) Old White Club Corporation (0031); and (vi) Greenbrier Golf and Tennis Corporation (0033). Each of the Debtors has a mailing address of 300 W. Main Street, White Sulphur Springs, WV 24986-2075.

5. The Greenbrier offers more than five hundred hotel rooms and suites, as well as over two hundred rooms located in guest and estate house accommodations. In addition, The Greenbrier offers extensive conference and meeting facilities, three championship golf courses, indoor and outdoor tennis courts, an award-winning 40,000 square-foot spa, an executive health and wellness clinic, and a wide variety of retail and dining options.

6. GHC maintains a web site – [www.greenbrier.com](http://www.greenbrier.com) – for, among other things, online hotel reservations, information about The Greenbrier, and customer service, as well as a reservations call center – (800) 453-4858 – for hotel and amenity reservations and for customer service.

7. In addition to The Greenbrier itself, certain of the Debtors are also involved in real estate development projects on property surrounding or in close proximity to The Greenbrier. For example, GHC owns an eighty percent (80%) interest in The Greenbrier Sporting Club Development Company, LLC (“GSCDC”), a non-debtor Delaware limited liability company.<sup>2</sup> GSCDC has developed a membership club, club facilities, amenities, and luxury residential neighborhoods near The Greenbrier known generally as “The Greenbrier Sporting Club.” As of the Petition Date, GSCDC owns approximately 126 unsold lots slated for residential development as part of The Greenbrier Sporting Club. In addition, another Debtor herein—OWDC—owns certain real estate related to other residential developments near The Greenbrier.

8. The Greenbrier also houses the former United States Government Relocation Facility, which provided an emergency relocation center for the U.S. Congress to meet outside of Washington in a secret underground bunker at The Greenbrier. Originally constructed during the

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<sup>2</sup> DPS-WV, LLC, a Georgia limited liability company not affiliated with the Debtors, is the twenty percent (20%) member in GSCDC.

late 1950s, the U.S. government terminated its lease for the facility after The Washington Post reported on the location in a 1992 article. Today, The Greenbrier offers tours of the underground facility, including the room where Congress was to convene in the event of an emergency.<sup>3</sup>

### **THE DEBTORS' CAPITAL STRUCTURE**

9. GRCMC is a wholly owned subsidiary of CSX Corporation ("**CSX**"), a publicly traded corporation that is not a debtor herein. CSX's indirect ownership of The Greenbrier dates back nearly 100 years to 1910.

10. Prior to the Petition Date, the Debtors were not party to any bank credit facility or other traditional financing arrangement. Rather, the Debtors funded their operations through cash generated in their business and, as necessary, through an intercompany arrangement with CSX established under a Cash and Exposure Management Plan (the "**Cash Management Plan**"), which was adopted by resolution of CSX's board of directors on October 14, 1987.

11. Under the Cash Management Plan, GHC and certain other CSX subsidiaries were authorized to borrow on an unsecured basis from CSX through a cash pool account established exclusively for such intercompany borrowings (the "**Cash Pool Account**"). In the event GHC required access to funds beyond the cash on hand in GHC's own accounts at any given time, GHC would submit a request for an advance from the Cash Pool Account, and CSX (through its affiliate) would initiate a transfer from the Cash Pool Account to GHC and would simultaneously record an intercompany account receivable from GHC. Likewise, if GHC generated cash beyond its operating needs for any particular period, GHC would transfer such additional funds into the Cash Pool Account and reduce its intercompany accounts payable to CSX by the amount

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<sup>3</sup> CSX IP, LLC leases this bunker space from GHC and uses a portion of it to provide data storage to various customers. GHC owned CSX IP, LLC until early 2009, when it sold its interest to a non-debtor subsidiary of CSX.

of the transfer. Through this structure, GHC was able to access capital on favorable terms and without the need to provide collateral to secure advances.

12. As of the Petition Date, the Debtors anticipate that the net account payable outstanding to CSX from GHC through the Cash Pool Account will total approximately \$91 million (the "**CSX Payable**"). The CSX Payable is not secured by liens or security interests in or on any assets of the Debtors. As described below, after the Petition Date, the Debtors will no longer have access to funds through the Cash Pool Account.

13. Prior to the Petition Date, to provide further access to liquidity, GHC and CSX Business Management, Inc. ("**Business Management**") were parties to that certain Receivables Purchase Agreement dated as of June 15, 1992 (the "**RPA**"). Under the RPA, Business Management agreed to purchase certain accounts receivable arising from the operation of The Greenbrier, and to receive certain yields and fees in connection therewith. The RPA was terminated by the parties as of December 26, 2008, and all necessary amounts have been deemed satisfied by Business Management thereunder.

14. The Debtors also purchase certain goods and services on credit in the ordinary course of business from various suppliers and vendors in order to operate The Greenbrier. As of the Petition Date, the Debtors were generally current with suppliers and vendors, and the Debtors estimate that their aggregate unsecured, prepetition trade debt does not exceed \$2 million.

#### **THE DEBTORS' RECENT PERFORMANCE**

15. For decades, The Greenbrier remained a popular destination resort and a profitable business for CSX. While The Greenbrier was never a core component of the overall business of CSX (primarily, rail and intermodal transportation), CSX retained ownership of The Greenbrier given its historical positive earnings and its legacy within the CSX corporate structure.

16. In the last several years, however, the Debtors have suffered substantial operating losses. In the last five years alone, the Debtors have incurred aggregate cash and operating losses in excess of \$90 million. These substantial losses are largely attributable to three factors: (i) extraordinary and above-market labor costs, (ii) an overall decline in the luxury resort market due to broader economic trends, and (iii) increased capital expenditures necessary to maintain The Greenbrier's status as a world-class luxury resort.

17. Extraordinary Labor Costs. As of February 28, 2009, the Debtors employed approximately 1,318 employees, including approximately 117 salaried employees and approximately 1,201 hourly employees. Of the hourly employees, approximately 909 are members of one of the nine (9) unions that are parties to collective bargaining agreements with the Debtors. The terms of the collective bargaining agreements provide for wages and benefits for union employees that are substantially above the terms offered by competitors of the Debtors or by other employers in the Debtors' geographic region. The unfavorable terms of these collective bargaining agreements have substantially contributed to the Debtors' inability to operate profitably, particularly in the current difficult environment for luxury resorts.

18. In 2008, the Debtors' expenditures for wages and benefits exceeded seventy percent (70%) of all revenues generated by Debtors. In other words, more than 70 cents of every dollar generated by The Greenbrier went directly to pay wages and benefits of the Debtors' employees. Even in 2006, prior to the Debtors' recent revenue declines associated with the global recession, the Debtors' wages and benefits were sixty percent (60%) of all revenues. These grossly disproportionate labor costs are far in excess of the industry average (which is approximately 40% or less) and have substantially limited the Debtors' resources available for necessary capital expenditures and other non-employee obligations.

19. Because a significant number of the Debtors' employees are subject to collective bargaining agreements, the Debtors were unable to substantially reduce labor costs prior to the Petition Date absent reaching agreement with the unions on such reductions. Since the third quarter of 2007, the Debtors have been engaged in repeated and substantial efforts to negotiate new collective bargaining agreements with their unions in an effort to reduce the Debtors' extraordinary labor costs. Despite these extensive efforts and notwithstanding indisputable empirical evidence indicating that the Debtors' labor costs far exceed industry and geographic norms, the unions have flatly refused to grant the Debtors meaningful financial concessions. Indeed, after inviting the Debtors in late 2008 to make revised proposals that reflected the Debtors' deteriorating financial performance and the sharp worldwide reduction in luxury and travel spending, and after the Debtors made such proposals and provided the unions with detailed financial information indicating that the failure to obtain labor concessions threatened the continuing operation of The Greenbrier, the unions responded in part by filing meritless unfair labor practices charges against the Debtors with the National Labor Relations Board asserting that the Debtors were engaging in improper regressive bargaining.

20. As part of these Chapter 11 cases, absent timely agreement with the unions on new collective bargaining agreements, GHC intends to seek relief under section 1113 of the Bankruptcy Code from the Debtors' excessive obligations under their collective bargaining agreements. Achieving new collective bargaining agreements with costs in line with those of other luxury resorts is a critical element in the Debtors' effort in these cases to sell their assets to a new luxury resort operator.

21. Decline in Luxury Hotel Market. At the same time that the Debtors' expenses were escalating due to disproportionate labor costs, the Debtors' revenues were shrinking as a

result of broader macroeconomic trends that have ravaged the market for luxury resorts worldwide. The credit and financial crisis that caused the current global recession has struck the luxury resort and hotel market particularly hard. Discretionary spending for goods and services such as those provided by the Debtors has fallen precipitously. Indeed, corporate and individual allowances for goods and services perceived to be “luxury” have scaled back considerably as more companies and individuals look to conserve cash until the economy recovers. This economic downturn has resulted in a significant reduction in the number of large corporate and group events that have come to The Greenbrier, thus depriving The Greenbrier of a significant source of operating revenues.

22. Largely as a result of these trends, the Debtors’ annual revenues fell in 2008 by more than twenty-five percent (25%) from their 2007 levels, and are projected to continue falling through 2009. In addition to revenue declines driven by the broader economy, the Debtors have recently lost substantial revenues as a result of perceived uncertainty surrounding the union and labor situation at The Greenbrier, which has adversely affected group bookings and likely cost the Debtors over \$25 million in lost revenues in 2008.

23. Increased Capital Expenditures. In 2006 and 2007, the Debtors undertook substantial renovations of The Greenbrier’s hotel accommodations, facilities, and infrastructure, including more than \$48 million in capital expenditures. While these efforts were essential to maintain the status of The Greenbrier as a world-class resort,<sup>4</sup> they proved untimely given the unforeseen credit and financial crisis commencing almost immediately after completion of these renovations that devastated the luxury resort industry. Given this ensuing decline in business,

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<sup>4</sup> In part, the Debtors’ decision to undertake these substantial renovations was also driven by the goal of regaining a coveted five-star rating in the Mobil Travel Guide, which The Greenbrier had maintained for decades before losing this rating in 1999 (when The Greenbrier’s rating was reduced to four stars). The five-star rating provides significant marketing value in attracting valuable conferences, corporate events, and individual resort visits. Notwithstanding the Debtors’ substantial efforts and capital expenditures, The Greenbrier has yet to regain the elusive five-star rating.

the Debtors have been unable to recoup the costs of these capital expenditures. Furthermore, because the Debtors were forced to borrow through the Cash Pool Account to fund these capital expenditures, the Debtors largely exhausted their ability to borrow further by vastly increasing the amount of the CSX Payable to the point that CSX could no longer justify further continuation of the Debtors' access to the Cash Pool Account, particularly in light of the Debtors' increasing operating losses.

### **STRATEGIC REVIEW OF THE DEBTORS' BUSINESS**

24. Given the Debtors' significant operating losses, CSX retained Goldman Sachs in August 2008 to explore strategic options for the Debtors' businesses. In late 2008, the Debtors retained McGuireWoods LLP and Protiviti, Inc. to provide the Debtors with restructuring advice in connection with the strategic review process.

25. As this strategic review progressed and the Debtors' operating losses accelerated, it became clear that any strategic restructuring plan would need to be accomplished in a relatively short timeframe to be successful. CSX was unable and unwilling to continue funding the Debtors' operating losses on an indefinite basis. As such, unless a restructuring plan could be achieved rapidly, the Debtors faced a realistic prospect of liquidation given their inability to access alternative sources of capital to continue operating The Greenbrier long-term.

26. Because continuation of the *status quo* was simply not an option for the Debtors, the Debtors were faced with the unpleasant choice of either liquidating The Greenbrier in a chapter 7 case or endeavoring to consummate a sale transaction that would allow The Greenbrier to continue operating as a going concern, albeit under new ownership. The Debtors ultimately concluded that preservation of going concern value through an asset sale presented the best possible outcome for The Greenbrier. The prospect of a going concern sale also provides

substantial benefit to the Debtors' employees and The Greenbrier's broader community in Greenbrier County, West Virginia, in which The Greenbrier is a major employer and community partner.

27. Accordingly, after consideration of all available options, including potentially shuttering The Greenbrier, the Debtors (in consultation with their professionals and advisors) developed a four-part restructuring strategy, which contemplated: (i) reduction of the Debtors' labor and benefits costs; (ii) improvements to revenues by, among other things, increasing group sales; (iii) restructuring of the Debtors' management; and (iv) a sale of the Debtors' assets to a third party buyer as a going concern sale.

**PREPETITION EXECUTION OF THE DEBTORS' RESTRUCTURING PLAN**

28. The Debtors undertook to implement their strategic restructuring plan quickly, including taking the following steps:

29. Labor Cost Reduction. Given that the Debtors' labor costs far exceed industry norms, a key component of the Debtors' restructuring strategy was to bring labor costs more in line with industry and geographic standards. As such, the Debtors increased efforts to obtain essential wage and benefits concessions from the Debtors' unions. In doing so, the Debtors engaged in extensive good faith discussions with negotiators for the nine unions—including describing in detail the Debtors' dire financial circumstances and providing detailed, current financial information to outside accounting firms retained by the unions—in the hope that the unions would agree to the concessions necessary for The Greenbrier to be viable as a going concern. Despite the Debtors' good faith efforts, the Debtors' unions have refused to make such concessions.

30. At the same time that the Debtors sought to increase the pace of their union negotiations, the Debtors also sought to implement cost-savings with respect to employees and expenses not subject to, or permissible under, the collective bargaining agreements. These cost reductions included (i) significant workforce furloughs, including reductions of management level employees, (ii) reducing corporate overhead costs, and (iii) eliminating non-essential capital expenditures. The Debtors' project that these substantial efforts will produce approximately \$7 million in annual cost savings.

31. Improvements to Revenue. Notwithstanding the difficult operating environment for luxury resorts worldwide, the Debtors sought to increase "high quality" revenues attributable to group and corporate sales. Unfortunately, despite the Debtors' substantial marketing efforts, group sales have continued to falter as a result of (i) more and more comparable resorts competing for the same diminishing group and conference business, and (ii) adverse publicity regarding the Debtors' financial and labor circumstances that has undermined the Debtors' ability to compete. Currently, the Debtors project further significant declines in revenues through at least the end of 2009.

32. Management Restructuring. Beginning in May 2008, the Debtors and CSX sought to introduce new management to The Greenbrier in an effort to bring fresh perspectives to their operational and cost-reduction efforts. Through these efforts, the Debtors recruited or elevated several new faces to the executive team at The Greenbrier, including a new Chief Executive Officer and a new Chief Financial Officer for the Debtors. In addition, each of the Debtors' respective boards of directors was reconstituted to include an independent director and an officer of the Debtors as members of each board. These management changes have brought a new focus and intensity to the Debtors' restructuring efforts. Prepetition retention by the

Debtors of turnaround and restructuring professionals has also ensured that the Debtors have had adequate representation of their interests throughout this strategic review process.

33. Sale Efforts. The final component of the Debtors' prepetition restructuring strategy was to arrange a sale of the Debtors' assets to a third party that, preferably, would agree to offer employment to the Debtors' employees and agree to take assignment of the Debtors' collective bargaining agreements, assuming the Debtors could achieve reasonable revisions of the current agreements. To that end, Goldman Sachs commenced in September 2008 to market the Debtors' business and assets to potentially interested third parties. Through this process, Goldman Sachs communicated with over sixty (60) potentially interested parties and received expressions of interest from five (5) parties.

34. After commencing discussions with the parties that expressed preliminary interest—including providing interested parties with access to an electronic due diligence room—three (3) potential buyers emerged as the most likely interested parties for a potential transaction. However, through these initial discussions, at least three obstacles to consummating any transaction involving The Greenbrier quickly emerged. First, given their onerous terms, no buyer was willing to consider seriously a purchase of The Greenbrier subject to the existing collective bargaining agreements. Second, no purchaser would agree to assume responsibility for The Greenbrier's pension plans, which are currently underfunded on an actuarial basis. Third, even assuming the Debtors retained their pension obligations in any transaction and achieved significant cost reductions through new labor agreements, no buyer appeared willing or able to assume The Greenbrier's operating losses projected for the next several years without substantial seller or seller-affiliate financing, particularly given the difficult credit markets that made outside financing unavailable or unappealing.

35. Given these obstacles, the Debtors ultimately determined that a chapter 11 bankruptcy case was necessary to consummate a sale. Also, it became apparent that CSX or an affiliate would likely be required to provide financing to entice a buyer to acquire The Greenbrier given the Debtors' inability to provide such financing. Moreover, because certain potential asset buyers desired the protections of Section 363 of the Bankruptcy Code and because CSX was unwilling to provide such financing outside of the protections of chapter 11, the Debtors determined that a chapter 11 case was necessary to consummate any sale.

36. After commencing negotiations with several potential buyers, the Debtors—in consultation with their professionals, CSX, and Goldman Sachs—eventually focused their attention on negotiating an asset purchase agreement with the party submitting the leading proposal, Marriott Hotel Services, Inc. (“**Marriott**”), to be consummated in connection with a chapter 11 filing by the Debtors. After extensive good faith negotiations, substantially contemporaneous with the filing of these cases, the Debtors reached an agreement (the “**Asset Purchase Agreement**”) with Marriott that provides for Marriott to serve as “stalking horse bidder” in a sale of the Debtors' assets under Section 363 of the Bankruptcy Code in connection with a chapter 11 plan.

37. As part of the Asset Purchase Agreement, the Debtors will provide \$50 million to Marriott (to be financed by CSX or its affiliate, with repayment by the Debtors secured by a lien on the purchase price, among other assets) to be used in the operation of The Greenbrier. These funds will be paid over a two-year period following the closing of the transaction. In turn, Marriott will pay GHC between \$60 million and \$130 million within approximately seven (7) years after closing, with the actual amount depending on the timing of the payment and The Greenbrier's post-closing financial performance. The transaction—which, under the Debtors'

proposed debtor-in-possession financing must close by the end of June 2009—is contingent on, *inter alia*, the ability of the Debtors to achieve labor contracts that are satisfactory to Marriott. Marriott would assume management responsibility for the resort as soon as the transaction closes. The Debtors anticipate filing by March 23 a motion to establish bidding procedures and to approve the asset sale to Marriott, subject to higher or better offers and plan confirmation.

### **OBJECTIVE OF THESE CHAPTER 11 CASES**

38. The Debtors commenced these chapter 11 cases to achieve three principal objectives, each of which is necessary if the Debtors are to successfully execute their restructuring plan: (i) to consummate a going-concern sale of The Greenbrier pursuant to a confirmed chapter 11 plan; (ii) to obtain debtor-in-possession financing sufficient to enable the Debtors to operate to the closing of a sale transaction given the Debtors' inability to continue borrowing from CSX through the Cash Pool Account; and (iii) to achieve new collective bargaining agreements upon terms that a potential buyer of the Debtors' assets would be willing to assume.

39. Commencement of these cases is necessary to provide certain protections to both prospective buyers and to CSX, which protections are necessary to facilitate the financing and closing of any sale transaction. The Debtors have spent considerable time and effort identifying potential purchasers, negotiating the terms of a possible sale, and preparing to consummate expeditiously a sale transaction after commencement of these cases. The Debtors will promptly file a motion to approve bidding procedures and a sale of the Debtors' assets in connection with confirmation of a chapter 11 plan. This proposed transaction would not be possible without the various protections offered by the Bankruptcy Code.

40. Commencement of these bankruptcy cases also ensures that the Debtors have sufficient liquidity to continue operating The Greenbrier until a sale transaction can be closed,

assuming such sale can be consummated expeditiously. Prior to the Petition Date, CSX made clear to the Debtors that CSX was unwilling to permit the Debtors to continue borrowing under the Cash Pool Account on an indefinite basis. Facing a loss of access to working capital and after unsuccessfully seeking alternative debtor-in-possession financing, the Debtors concluded that the debtor-in-possession financing proposed by CSX was the only means available that would enable the Debtors to continue operating long enough to consummate a sale transaction. While the proposed debtor-in-possession credit agreement includes an aggressive timeline to accomplish such a sale, the Debtors believe they have no reasonable alternative but to try to meet this accelerated schedule imposed by CSX. Accordingly, the Debtors commenced these cases to ensure access to adequate liquidity while they work quickly to close a sale.

41. Finally, as described above, the Debtors have been unable to obtain concessions from the unions that are necessary to facilitate the sale of The Greenbrier as a going concern. Given the unreasonable bargaining positions taken by the Debtors' unions prepetition, and the Debtors' inability to continue funding the resultant operating losses indefinitely, the commencement of these chapter 11 bankruptcy proceedings was necessary to provide the Debtors with sufficient flexibility to continue working toward successful consummation of a sale. Accordingly, promptly after commencement of these cases, the Debtors intend to provide the unions with proposals containing collective bargaining agreement terms that are necessary for the Debtors to consummate a going-concern sale of The Greenbrier. The Debtors are hopeful the unions will agree to new labor agreements necessary to allow the Debtors to sell The Greenbrier to a purchaser that will offer employment to the majority of The Greenbrier's employees. If not, the Debtors intend to seek relief promptly under section 1113 of the Bankruptcy Code.

**FIRST DAY MOTIONS AND ORDERS**

42. In furtherance of the Debtors' restructuring objectives, the Debtors expect to file a number of First Day Motions and Orders, each as listed on the attached Exhibit A.<sup>5</sup> I have reviewed each of the First Day Motions and Proposed Orders (including the exhibits thereto), and the facts set forth therein are true and correct to the best of my knowledge, information, and belief, with appropriate reliance on corporate officers and advisors. Moreover, I believe that the relief sought in each of the First Day Motions and Proposed Orders (a) is vital to enable the Debtors to make the transition to, and operate in, chapter 11 with a minimum interruption or disruption to their businesses or loss of productivity or value, (b) constitutes a critical element in achieving the Debtors' successful sale, and (c) ensures that the Debtors comply with applicable non-bankruptcy law, to the extent such law remains applicable in these chapter 11 bankruptcy proceedings.

**Administrative Motions.**

43. The Debtors will file six (6) "administrative" motions, which (i) request a "first day hearing" for the Court to expeditiously consider the relief requested in each of the Motions, (ii) seek to have the Debtors' bankruptcy cases jointly administered, (iii) seek approval of certain case management procedures, (iv) request authority to maintain a list of creditors in lieu of a creditor matrix, (v) seek to establish procedures for interim compensation of professionals, (vi) seek the retention of Kurtzman Carson Consultants LLC as claims, noticing, and balloting agent, all as more fully set forth in items 1 through 6 on Exhibit A hereto.

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<sup>5</sup> Capitalized terms used but not defined in this section shall have the meanings ascribed to such term in the relevant First Day Motion and Order.

**Motion to Continue Certain Banking and Business Practices.**

44. The Debtors will file a motion to continue their ordinary course banking and cash management practices, and for waiver of certain requirements regarding bank and investment accounts, as noted in item 7 on Exhibit A hereto.

45. The Debtors' cash management system is comprised of several bank accounts. Collections and disbursements are managed through well-established cash management procedures utilized by the Debtors. These procedures constitute ordinary, usual, and essential business practices. Through the Debtors' cash management system, the Debtors are able to centrally manage all of their cash flow needs and provide the necessary accounting controls to enable the Debtors, as well as creditors and the Court, to trace funds through the system and ensure that all transactions are adequately documented and readily ascertainable.

46. In connection with its cash management system and the Debtors' overall operations, the Debtors have established certain banking, investment, and business practices, including use of business forms (including, without limitation, letterhead, purchase orders, invoices, contracts and checks). These practices were tailored to the Debtors' day-to-day and long-term needs and, as such, were specifically designed and implemented for the Debtors.

**Motion to Continue Payment of Employee Wages and Benefits, Payroll Obligations, Certain Taxes, Travel Agent Commissions, and Workers Compensation Expenses.**

47. The Debtors will file a motion seeking authority to continue paying various Employee obligations and commissions to travel agents, as set forth in item 8 on Exhibit A hereto.

48. To minimize the personal hardship that the Debtors' Employees will suffer if prepetition Employee-related obligations are not paid when due, and to maintain the Employees' morale during this critical time, it is important to have authority to, among other things: (i) pay

prepetition obligations to current Employees; (ii) continue certain Employee benefit plans and programs; (iii) reimburse Employees for prepetition expenses incurred by such Employees on behalf of the Debtors; and (iv) pay all related prepetition withholdings and payroll-related taxes. In this regard, I believe that no Employee of the Debtors is presently owed in excess of \$10,950 for prepetition wages, salaries, or benefits.

49. In order to preserve positive relationships with travel agents that direct business to The Greenbrier, it is important that the Debtors be authorized to pay travel agent commissions in the ordinary course of business, including payment of accrued prepetition commissions. Maintaining positive relationships with travel agents is essential to continue attracting groups and individuals to The Greenbrier during this critical time.

50. In the motion, the Debtors also seek authority to maintain their self-insured workers' compensation insurance programs, including payment of prepetition amounts that may be owing to any third party administrators of such programs. Failure to maintain workers' compensation insurance in West Virginia could result in administrative or legal proceedings against the Debtors and their officers and directors.

**Motions for Payment of Other Critical Business Expenditures.**

51. The Debtors will also file a number of motions seeking authority to make critical business expenditures on account of: (i) sales, use, hotel occupancy, trust fund and other taxes (as set forth in item 9 on Exhibit A hereto), (ii) existing insurance policies, including payment of premiums to third party and affiliated service providers, and to continue intercompany insurance related arrangements (as set forth in item 10 on Exhibit A hereto); (iii) various hotel guest programs and practices (as set forth in item 11 on Exhibit A hereto); and (iv) adequate assurance of payment requirements for utilities (as set forth in item 12 on Exhibit A hereto),

52. Taxes. In the ordinary course of business, the Debtors incur various taxes, including state and local sales, use, hotel occupancy, and liquor and wine excise tax liabilities (the "Taxes"). Prior to the Petition Date, the Debtors were, for the most part, current on their obligations with respect to these Taxes. The only obligations outstanding represent Taxes that have accrued, but are not yet legally due. Withholding payment of the Taxes likely would cause taxing and other authorities to take precipitous action, including a marked increase in state audits, a flurry of lien filings or lift stay motions, and significant administrative problems.

53. Insurance. In connection with the operation of its businesses and management of its properties, the Debtors maintain various insurance policies and engage in intercompany insurance-related transactions. Maintenance of insurance coverage under the various insurance policies is essential to the operation of the Debtors' business and is required under the United States Trustee's Operating Guidelines for Chapter 11 Cases. Certain insurance providers, including certain non-debtor affiliates that provide insurance coverage to the Debtors, may be owed premiums and other amounts as of the Petition Date for continuation of such insurance policies. Failure to pay these amounts could result in loss of services or coverage, which would drastically impact the Debtors' ability to renew coverage and process claims.

54. Guest Programs. The success and viability of the Debtors' business, and ultimately the Debtors' ability to successfully conclude these cases, are totally dependent upon the patronage and loyalty of the guests of The Greenbrier. In this regard, the Debtors' programs aimed at guest satisfaction, including gift cards and gift certificates, deposits, concessionaire and property damage reimbursement, and certain charitable and community programs, are critical, and any delay in honoring the Debtors' obligations thereunder will severely and irreparably impair guest relations.

55. Utilities. The Debtors received and continue to receive water, gas, sewer, electricity, local and long-distance telephone, and ISDN services from several different utility companies. The services provided by the utility companies are crucial to the Debtors' continued operations. I believe that the procedures that the Debtors have proposed for the utility companies adequately protect such utility companies' rights, while also protecting the Debtors' need for continuous and uninterrupted utility services. Additionally, all postpetition obligations owed to the utility companies will be paid in a timely manner, and the Debtors have and will continue to have sufficient funds from operations and their proposed postpetition financing to satisfy such obligations.

**Motion to Establish Bar Dates and to Approve Form and Manner of  
Notice of Commencement and Notice of Bar Dates.**

56. The Debtors will file a motion to establish bar dates and to approve the form and manner of notice of the bar dates and commencements of these bankruptcy cases, as set forth in item 13 on Exhibit A hereto.

57. The Debtors request the Court to set the General Bar Date on April 27, 2009. An accelerated schedule for the General Bar Date is necessary in these cases to ensure the Debtors can: (i) comply with the deadlines set forth in the Debtors' proposed debtor-in-possession financing, and (ii) move expediently towards consummation of the sale of the Debtors' assets under a confirmed bankruptcy plan (as required to meet the deadlines set forth in the Debtors' debtor-in-possession credit facility). Any delay in this process could have devastating effects on the Debtors' ability to successfully conclude these cases, particularly given the limited duration of the Debtors' proposed debtor-in-possession financing.

**Motion for Approval of Debtor-in-Possession Financing.**

58. The Debtors will file a motion to approve debtor in possession financing, as set forth in item 14 on Exhibit A hereto. After the Petition Date, the Debtors will no longer have access to unsecured credit from CSX through the Cash Pool Account. Rather, CSX has offered debtor-in-possession financing on a secured basis to the Debtors in the maximum amount of \$19 million (the "**DIP Financing**").

59. The Debtors, through their advisors, sought third party debtor-in-possession financing. However, in the current financial environment, only a few potential lenders expressed any interest in the Debtors' initial inquiries and performed some due diligence on the Debtors' operations. Ultimately, the Debtors received only one proposal from a third party for debtor-in-possession financing. The proposal from CSX for debtor-in-possession financing was significantly more favorable and less expensive than the proposal received from the third party.

60. The duration of the CSX DIP Financing is roughly 90 to 100 days, which is the amount of time the Debtors anticipate it will take to accomplish the sale transaction and other matters described herein.

61. The pricing of the DIP Financing offered by CSX includes interest payable at the annual rate of 10%, and certain availability fees. There are milestones set in the DIP Financing which, if not met by the Debtors, constitute events of default under the DIP Financing. The milestones correspond to the timeline which the Debtors intend to follow in effectuating the transactions described herein. Although the timeline is aggressive, the Debtors also believe it is feasible. Additionally, and perhaps most importantly, the aggressive timeline is necessary as the Debtors continue to lose money every day that they are in operation.

**Motion for Determination that No Committee Should Be Appointed.**

62. The Debtors will file a motion pursuant to section 1102(a)(3) of the Bankruptcy Code for a determination that no creditors committee should be appointed, as set forth in item 15 on Exhibit A hereto.

63. Given that the Debtors' aggregate non-contingent, liquidated, non-insider debt will not exceed \$2 million, exclusive of amounts sought to be paid in connection with the Debtors' First Day Motions and Orders, the Debtors are "small business debtors" under section 101(51D) of the Bankruptcy Code. If a committee of unsecured creditors is appointed to represent this small pool of claims, the administrative costs to the Debtors' estates will be substantial and disproportionate to amount of claims represented by such committee. Accordingly, to avoid substantial administrative costs that could dilute, not enhance, distributions to creditors, the Debtors will request the Court find that cause exists to not appoint a creditors committee under section 1102(a)(3) of the Bankruptcy Code.

**Motion to Seal Certain Tax Documents.**

64. The Debtors will file a motion to seal certain tax documents appended to GHC's petition in accordance with section 1116(1) of the Bankruptcy Code, as set forth in item 16 on Exhibit A hereto.

65. While the Debtors are among the entities included in CSX's consolidated tax returns, the Debtors have prepared *pro forma* tax returns to append to the Debtors' chapter 11 petitions to comply with the reporting obligations for "small business debtors." The *pro forma* returns prepared for purposes of satisfying section 1116(1) of the Bankruptcy Code contain sensitive commercial information of the Debtors, and filing the returns publicly would be harmful. Accordingly, the Debtors have requested these documents be kept under seal.

Pursuant to 28 U.S.C. § 1746, I swear under penalty of perjury under the laws of the United States of America that the facts, circumstances, and other matters set forth in the First Day Motions, as well as the foregoing, is true and correct to the best of my knowledge information and belief, with appropriate reliance on the Debtors' officers, employees, and advisors.

Dated: Richmond, Virginia  
March 19, 2009

/s/ Michael McGovern  
Michael McGovern  
Chief Financial Officer to each of the Debtors

## EXHIBIT A

### List of First Day Motions

1. Motion of the Debtors, Pursuant to Bankruptcy Code Section 105(a) and Local Bankruptcy Rule 9013-1(M), for an Order Setting an Expedited Hearing on "First Day Pleadings" and for Related Relief.
2. Motion for Order (I) Directing Joint Administration Pursuant to Bankruptcy Code Sections 105(a) and 302 and Bankruptcy Rule 1015(b), and (II) Waiving Requirements of Bankruptcy Code Section 342(c)(1) and Bankruptcy Rules 1005 and 2002(n).
3. Motion of the Debtors for an Order Pursuant to Bankruptcy Code Sections 102 and 105(a), Bankruptcy Rules 2002 and 9007, and Local Bankruptcy Rules 2002-1 and 9013-1 Establishing Certain Notice, Case Management, and Administrative Procedures.
4. Motion of the Debtors for Entry of an Order Pursuant to Bankruptcy Code Sections 105(a), 342(a), and 521, Bankruptcy Rule 1007, and Local Bankruptcy Rule 1007-1, for Authority to Prepare a Consolidated List of the Debtors' Top Twenty (20) Largest Unsecured Creditors and a List of Creditors in Lieu of Submitting a Formatted mailing Matrix.
5. Debtors' Motion for Administrative Order Pursuant to Bankruptcy Code Sections 105(a) and 331 Establishing Interim Compensation Procedures.
6. Application of the Debtors for Entry of an Order Pursuant to 28 U.S.C. § 156(c) and Bankruptcy Rule 2002(f) Approving Agreement with Kurtzman Carson Consultants LLC and Appointment as Claims, Noticing, and Balloting Agent.
7. Motion for Order: (A) Authorizing Continued Use of the Debtors' Centralized Cash Management System; (B) Authorizing Maintenance and Continued Use of the Debtors' Existing Bank and Investment Accounts and Business Forms; (C) Waiving Certain Operating Guidelines Relating to Bank Accounts; (D) Waiving the Requirements of Section 345 of the Bankruptcy Code; and (E) Granting Administrative Expense Status to Inter-Debtor Claims.
8. Motion for Order Pursuant to Sections 105(a), 363, 507(a), 541, 1107(a), and 1108 of the Bankruptcy Code and Bankruptcy Rule 6003: (I) Authorizing Debtors to Continue Utilizing Payroll Services Provided by Non-Debtor Affiliate; (II) Authorizing Debtors to Pay Certain Prepetition Wages, Compensation, and Employee Benefits; (III) Authorizing Debtors to Continue Certain Employee Benefits Programs in the Ordinary Course of Business; (IV) Authorizing Debtors to Pay Certain travel and Sales Agents' Commissions; and (V) Directing Banks to Honor Prepetition Checks for Payments of Prepetition Wage, Salary, and Benefits Obligations.
9. Motion of the Debtors for Order Pursuant to Bankruptcy Code Sections 105(a), 506(a), 507(a)(8), 541, and 1129 and Bankruptcy Rule 6003 Authorizing the Debtors to Pay

Prepetition Sales, Use, Hotel Occupancy and Other Trust Fund Taxes and Related Obligations.

10. Motion of the Debtors for Order Pursuant to Bankruptcy Code Sections 105(a), 363, 364, 1107 and 1108, and Bankruptcy Rule 6003 Authorizing Debtors to Maintain Existing Insurance Arrangements, Pay Insurance Obligations, Including Certain Intercompany Obligations, and Enter Into or Renew Insurance Policies.
11. Motion of the Debtors for Entry of an Order (I) Authorizing the Debtors to Honor Certain Guest Programs and Prepetition Guest-Related Obligations and (II) Directing Banks to Honor Prepetition Checks for Payment of Such Obligations.
12. Motion of Debtors for Order under Bankruptcy Code Sections 105(a) and 366 (I) Approving Debtor's Adequate Assurance of Payment, (II) Establishing Procedures for Resolving Requests by Utility Companies for Additional Assurance of Payment, and (III) Scheduling a Hearing with Respect to Contested Adequate Assurance of Payment Requests.
13. Motion of the Debtors for Entry of an Order Pursuant to Bankruptcy Code Sections 105(a), 501, 502, 503, and 1111(a), Bankruptcy Rules 2002(a), 3003(c), and 5005(a), and Local Rules 2002-1 and 3003-1 (I) Establishing Bar Dates, and (II) Approving Form and Manner of (A) Notice of Commencement of Cases and (B) Notice of Bar Dates for Creditors to File Proofs of Claim.
14. Motion of the Debtors for Entry of Interim and Final Orders Pursuant to Bankruptcy Code Sections 105(a), 362, 363 and 364 and Bankruptcy Rules 2002 and 4001: (I) Authorizing Debtor to Obtain Postpetition Financing; and (II) Scheduling Interim and Final Hearings.
15. Motion of the Debtors Pursuant to Bankruptcy Code Sections 101(51D) and 1102(a)(3) for Determination that No Statutory Committee of Unsecured Creditors Should be Appointed.
16. Motion of the Debtors Pursuant to Bankruptcy Code Section 107(b)(1) and Bankruptcy Rule 9018 to File Under Seal Certain Documents Associated with Bankruptcy Code Section 1116.

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