

GREIF INC
Form 11-K
June 29, 2007
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-00566

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Greif 401(k) Retirement Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Greif, Inc.

425 Winter Road

Table of Contents

REQUIRED INFORMATION

The following financial statements for the Greif 401(k) Retirement Plan are being filed herewith:

Description	Page No.
Financial Statements:	
December 31, 2006 and 2005 and the year ended December 31, 2006	
<u>Report of Independent Registered Public Accounting Firm</u>	Page 3
<u>Statements of Net Assets Available for Benefits</u>	Page 4
<u>Statement of Changes in Net Assets Available for Benefits</u>	Page 5
<u>Notes to Financial Statements</u>	Page 6
<u>Schedule H, Line 4i - Schedule of Assets (Held at End of Year)</u>	Page 13

The following exhibits are being filed herewith:

Exhibit No.	Description	Page No.
23.1	Consent of Ernst & Young LLP Independent Registered Public Accounting Firm	Page 16

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of

Greif 401(k) Retirement Plan

We have audited the accompanying statements of net assets available for benefits of the Greif 401(k) Retirement Plan as of December 31, 2006 and 2005, and the related statement of changes in net assets available for benefits for the year ended December 31, 2006. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2006 and 2005, and the changes in its net assets available for benefits for the year ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2006 is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ ERNST & YOUNG LLP

Columbus, Ohio

June 28, 2007

Table of Contents

Greif 401(k) Retirement Plan

Statements of Net Assets Available for Benefits

	December 31,	
	2006	2005
Investments, at fair value:		
Interest-bearing cash	\$ 630,297	\$ 281,832
Mutual funds	84,260,665	74,174,578
Common collective funds	30,667,462	29,276,916
Common stock	9,832,054	6,149,642
Participant notes receivable	2,737,045	2,799,447
Total investments	128,127,523	112,682,415
Other	5,315	355
Net assets available for benefits, at fair value	\$ 128,132,838	\$ 112,682,770
Adjustment from fair value to contract value for fully benefit responsive investment contracts	667,421	454,228
Net assets available for benefits	\$ 128,800,259	\$ 113,136,998

See accompanying notes.

Table of Contents

Greif 401(k) Retirement Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2006

Additions:	
Employee contributions	\$ 7,839,215
Employer contributions	1,955,209
Rollover contributions	1,018,603
Net transfers from other plans	495,737
Investment income:	
Net appreciation in fair value of investments <i>(Note 3)</i>	14,925,632
Interest and dividend income	308,912
	26,543,308
Deductions:	
Benefits paid to participants	(10,858,544)
Administrative fees	(21,503)
Net increase in net assets	15,663,261
Net assets available for benefits, beginning of year	113,136,998
Net assets available for benefits, end of year	\$ 128,800,259

Table of Contents

Greif 401(k) Retirement Plan

Notes to Financial Statements

December 31, 2006

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements of the Greif 401(k) Retirement Plan (the Plan) are prepared using the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Plan's management, investment managers, and trustee to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

New Accounting Pronouncement

In December 2005, the Financial Accounting Standards Board (FASB) issued FASB Staff Position AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the FSP). The FSP defines the circumstances in which an investment contract is considered fully benefit-responsive and provides certain reporting and disclosure requirements for fully benefit-responsive investment contracts in defined contribution plans. The financial statement presentation and disclosure provisions of the FSP are effective for financial statements issued for annual periods ending after December 15, 2006 and are required to be applied retroactively to all prior periods presented for comparative purposes. The Plan has adopted the provisions of the FSP at December 31, 2006.

As required by the FSP, investments in the accompanying Statements of Net Assets Available for Benefits include fully benefit-responsive investment contracts recognized at fair value. AICPA Statement of Position 94-4-1, *Reporting of Investment Contracts Held by Health and Welfare Benefit Plans and Defined Contribution Pension Plans*, as amended, requires fully benefit-responsive investment contracts to be reported at fair value in the Plan's Statement of Net Assets Available for Benefits with a corresponding adjustment to reflect these investments at contract value. The requirements of the FSP have been applied retroactively to the Statement of Net Assets Available for Benefits as of December 31, 2005 presented for comparative purposes. Adoption of the FSP had no effect on the Statement of Changes in Net Assets Available for Benefits for any period presented.

Table of Contents

Greif 401(k) Retirement Plan

Notes to Financial Statements

December 31, 2006

Investment Valuation

The Plan's investments are stated at fair value except for its benefit-responsive investment contract, which is valued at contract value. Investments are valued at quoted market prices, which represent the net asset values of units held by the Plan at year-end. Participant notes receivable are valued at their outstanding balance, which approximates fair value.

The investment contract is recorded at contract value, which represents contributions and reinvested income, less any withdrawals plus accrued interest, because the investment is fully benefit-responsive.

Payment of Benefits

Benefit payments are recorded upon distribution.

Administrative Expenses

The majority of administrative expenses of the Plan are paid by Greif, Inc. (the Sponsor or Employer).

2. Description of the Plan

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the plan document for more complete information.

Table of Contents

Greif 401(k) Retirement Plan

Notes to Financial Statements

December 31, 2006

2. Description of the Plan (continued)

General

The Plan is a defined contribution plan covering all employees at adopting locations of the Sponsor and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan was adopted by the Sponsor to provide eligible employees with special incentives for retirement savings. Eligible employees participate as soon as administratively feasible following their date of hire and upon attaining the age of twenty-one. Effective December 31, 2003, each of the Sponsor's defined contribution retirement plans were merged into the Greif Bros. 401(k) Retirement Plan and Trust. As a result, all assets of these plans were transferred to the Greif Bros. 401(k) Retirement Plan and Trust on January 1, 2004. In addition, the Plan name was changed to Greif 401(k) Retirement Plan on January 1, 2004. Previously eligible participants of the Plan were immediately eligible for the Greif 401(k) Retirement Plan.

The Plan provides that the Sponsor will appoint a committee (the Administrator) that is responsible for keeping accurate and complete records with regard to the Plan, informing participants of changes or amendments to the Plan, and ensuring that the Plan conforms to applicable laws and regulations. MassMutual and Investors Bank & Trust (the Trustees) maintain the Plan assets.

Participant Contributions

Participants may contribute up to 100% of their annual compensation, not to exceed the deferral limit as established annually by the Internal Revenue Code, into a choice of investment options. In no event shall the amount contributed for any plan year exceed the amount allowable in computing the participant's federal income tax exclusion for that plan year.

Employer Contributions

At its discretion, the Sponsor may make matching and/or profit sharing contributions. Employer matching contributions are discretionary or are paid pursuant to collective bargaining agreements. Additional profit sharing amounts may be contributed at the option of the Sponsor and are allocated to participants based on their compensation. There were no matching or profit sharing contributions made during the year ended December 31, 2006, except as paid with respect to collective bargaining agreements.

Table of Contents

Greif 401(k) Retirement Plan

Notes to Financial Statements

December 31, 2006

2. Description of the Plan (continued)

Participant Notes Receivable

Subject to the Administrator's approval, the Trustees are empowered to lend to participants a portion of their account balances in accordance with the Plan document. The Trustees establish interest rates and terms.

Vesting

Participants have full and immediate vesting in all participant contributions and related income credited to their accounts. Effective January 1, 2004, a participant's vested interest is defined by the predecessor plan provisions covering the participant on December 31, 2003. After January 1, 2004, employer contributions and actual earnings thereon vest ratably over a five-year period unless otherwise provided by collective bargaining agreements.

Investment Options

Participant contributions and Employer contributions are allocated as the participant directs.

Table of Contents

Greif 401(k) Retirement Plan

Notes to Financial Statements

December 31, 2006

2. Description of the Plan (continued)

Payment of Benefits

Withdrawals under the Plan are allowed for termination of employment, hardship (as defined by the Plan document), retirement, or the attainment of age 59 1/2. Distributions may also be made to the participant in the event of physical or mental disability or to a named beneficiary in the event of the participant's death. Distributions are made in a lump sum payment or by installment payments.

Plan Termination

Although it has not expressed any intent to do so, the Sponsor has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100 percent vested in their accounts.

3. Investments

During 2006, the Plan's investments (including investments bought, sold, as well as held during the year) appreciated in fair value as follows:

	Net Realized and Unrealized Appreciation in Fair Value of Investments
Common Stock	\$ 4,466,200
Common Collective Funds	1,800,650
Mutual Funds	8,658,782
	\$ 14,925,632

Table of Contents

Greif 401(k) Retirement Plan

Notes to Financial Statements

December 31, 2006

3. Investments (continued)

Investments that represent 5% or more of fair value of the Plan's net assets are as follows:

	December 31,	
	2006	2005
MassMutual Stable Income Fund	\$ 31,264,194	\$ 29,731,144
MassMutual Moderate Journey Fund	70,689*	8,819,358
MassMutual Indexed Equity Fund	11,236,440	10,240,698
MassMutual Mid Cap Growth II Fund	7,366,914	8,352,695
Dodge & Cox Balanced Fund	10,340,285	7,842,199
MassMutual Large Cap Value Fund	7,004,507	6,895,020
Capital Appreciation Fund	6,173,033*	6,055,426
American Funds EuroPacific Growth Fund R	8,103,827	6,058,951
Dodge & Cox Stock Fund	9,496,111	6,196,219
Greif, Inc. Class A Common Stock	9,832,054	6,149,642

* Amount does not exceed 5% of the Plan's net assets at the specified date. Shown only for comparative purposes.

4. Transactions with Parties in Interest

As of December 31, 2006 and 2005, the Plan owned 83,041 and 92,486 shares of the Sponsor's Class A Common Stock with a fair value of \$9,832,054 and \$6,149,642, respectively. Cash dividends received from the Sponsor were \$109,739 for the year ended December 31, 2006.

5. Income Tax Status

Prior to the Plan Merger, effective December 31, 2003, all plans merged had received a determination letter from the Internal Revenue Service dated February 24, 2003, stating that the Plan is qualified under Section 401(a) of the IRC and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualification. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the IRC and, therefore, believes that the Plan is qualified and the related trust is tax exempt. To the extent that any operational issues are identified, the plan administrator has agreed to take appropriate corrective actions.

Table of Contents

Greif 401(k) Retirement Plan
(formerly Greif Bros. 401(k) Retirement Plan and Trust)

Notes to Financial Statements

December 31, 2006

6. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks and other uncertainties. As a result, the value of these investment securities will increase or decrease in the future. The occurrence of certain of these risks and uncertainties could result in a material adverse effect to participants' account balances and the amounts reported in the statements of net assets available for benefits.

Table of Contents

Greif 401(k) Retirement Plan

EIN 31- 1652230 Plan 001

Schedule H, Line 4i Schedule of Assets (Held at End of Year)

December 31, 2006

Investment Description	Current/Contract Value
<u>Interest Bearing Cash</u>	
Money Market Fund	\$ 630,297
<u>Mutual Funds</u>	
Mass Mutual Select Destination Retirement 2020*	5,102,827
Mass Mutual Select Destination Retirement 2030*	2,332,588
Mass Mutual Select Destination Retirement 2040*	896,322
Mass Mutual Select Destination Retirement Income*	864,545
Mass Mutual Select Destination Retirement 2010*	4,182,635
MassMutual Indexed Equity Fund*	11,236,440
MassMutual Mid Cap Growth II*	7,366,914
Dodge & Cox Balanced Fund	10,340,285
Dodge & Cox Stock Fund	9,496,111
MassMutual Large Cap Value Fund*	7,004,507
Capital Appreciation Fund	6,173,033
MassMutual Small Company Value Fund*	4,090,591
SEI Small Cap Growth Fund	1,079,278
PIMCO Total Return Fund A	4,568,261
Lord Abbett Mid-Cap Value Fund	1,422,501
American Funds EuroPacific Growth Fund R	8,103,827
Total mutual funds	84,260,665
<u>Common/Collective Funds</u>	
MassMutual Stable Income Fund*	31,264,194
Mass Mutual Moderate Journey Fund*	70,689
	31,334,883
<u>Common Stock</u>	
Greif, Inc. Common Stock*	9,832,054
<u>Participants Notes Receivable</u>	
Participant notes receivable, with interest rates of 5.0% to 9.5% and various due dates	2,737,045
Total investments	\$ 128,794,944

* Indicates party-in-interest to the Plan

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

GREIF 401(k) RETIREMENT PLAN

Date: June 29, 2007

By: /s/ Karen Lane
Printed Name: **Karen Lane**
Title: **Plan Administrator**

Table of Contents

GREIF 401(K) RETIREMENT PLAN
ANNUAL REPORT ON FORM 11-K
FOR YEAR ENDED DECEMBER 31, 2006
INDEX TO EXHIBITS

Exhibit No.	Description	Page No.
23.1	Consent of Ernst & Young LLP Independent Registered Public Accounting Firm	Page 16