SAFEGUARD SCIENTIFICS INC
Form 10-K
March 27, 2007

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2006
Commission File Number 1-5620
Safeguard Scientifics, Inc.
(Exact name of Registrant as specified in its charter)

Pennsylvania	**23-1609753**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer ID No.)*
435 Devon Park Drive Building 800 Wayne, PA	**19087**
(Address of principal executive offices)	*(Zip Code)*

(610) 293-0600
(Registrant s telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of each exchange on which registered**
Common Stock ($.10 par value)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes o No þ

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes o No þ

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer þ Non-accelerated filer o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

As of June 30, 2006, the aggregate market value of the Registrant s common stock held by non-affiliates of the registrant was $257,629,375 based on the closing sale price as reported on the New York Stock Exchange.

The number of shares outstanding of the Registrant s Common Stock, as of March 22, 2007 was 120,771,313.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement (the Definitive Proxy Statement) to be filed with the Securities and Exchange Commission for the Company s 2007 Annual Meeting of Shareholders are incorporated by reference into Part III of this report.

SAFEGUARD SCIENTIFICS, INC.
FORM 10-K
DECEMBER 31, 2006

PART I

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PART I

Cautionary Note concerning Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements that are based on current expectations, estimates, forecasts and projections about Safeguard Scientifics, Inc. (Safeguard or we), the industries in which we operate and other matters, as well as management s beliefs and assumptions and other statements regarding matters that are not historical facts. These statements include, in particular, statements about our plans, strategies and prospects. For example, when we use words such as projects, expects, anticipates, intends, plans, believes, s estimates, should, would, could, will, opportunity, potential or may, variations of such words or other w convey uncertainty of future events or outcomes, we are making forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Our forward-looking statements are subject to risks and uncertainties. Factors that could cause actual results to differ materially, include, among others, managing rapidly changing technologies, limited access to capital, competition, the ability to attract and retain qualified employees, the ability to execute our strategy, the uncertainty of the future performance of our partner companies, acquisitions and dispositions of companies, the inability to manage growth, compliance with government regulation and legal liabilities, additional financing requirements, labor disputes and the effect of economic conditions in the business sectors in which our partner companies operate, all of which are discussed in Item 1A. Risk Factors. Many of these factors are beyond our ability to predict or control. In addition, as a result of these and other factors, our past financial performance should not be relied on as an indication of future performance. All forward-looking statements attributable to us, or to persons acting on our behalf, are expressly qualified in their entirety by this cautionary statement. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this report might not occur.

Item 1. *Business*

Business Overview

Safeguard s charter is to build value in growth-stage technology and life sciences businesses. We provide growth capital as well as a range of strategic, operational and management resources to our partner companies. Safeguard participates in expansion financings, carve-outs, management buy-outs, recapitalizations, industry consolidations and early-stage financings. Our vision is to be the preferred catalyst for creating great technology and life sciences companies.

We strive to create long-term value for our shareholders through building value in our partner companies. We help our partner companies in their efforts to increase market penetration, grow revenue and improve cash flow in order to create long-term value. We concentrate on companies that operate in two categories:

Technology including companies focused on providing software as a service (SaaS), technology-enabled services and vertical software solutions for analytics, enterprise application, infrastructure, security and communication; and

Life Sciences including companies focused on medical devices, molecular diagnostics, drug delivery and specialty pharmaceuticals.

In 2006, our management team set forth five strategic objectives:

- <u>Reposition</u> Safeguard from an operating company to a holding company;

- <u>Time</u> the acquisition and disposition of partner companies to achieve maximum risk-adjusted value;

- <u>Ignite</u> our deal machinery process, from sourcing partner company candidates through completing transactions;

- <u>Augment</u> our organization, both internally and externally, so that we can achieve our goals; and

- <u>Execute</u> these objectives boldly, with focused effort.

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As a result of achieving our goals in 2006, our management team has shifted focus to four strategic objectives for 2007:

- Deploy capital in companies within our strategic focus;
- Build value in our partner companies with strong management teams using organic and acquisitive growth to position our partner companies for liquidity at premium valuations;
- Realize the value of select partner companies through selective, well-timed exits to maximize risk-adjusted value; and
- Provide the tools needed for investors to fully recognize the shareholder value that has been created by our efforts.

To meet these strategic objectives during 2007, Safeguard will focus on:

- finding opportunities to deploy our capital in additional partner company holdings;
- helping to achieve additional market penetration, revenue growth, cash flow improvement and growth in the long-term value of our current partner companies:

Acsis, Inc.	NuPathe, Inc.
Advantedge Healthcare Solutions, Inc.	Pacific Title & Art Studio, Inc.
Alliance Consulting Group Associates, Inc.	Portico Systems, Inc.
Clarient, Inc.	PROMODEL Corporation
Laureate Pharma, Inc.	Rubicor Medical, Inc.
Neuronyx, Inc.	Ventaira Pharmaceuticals, Inc.
NexTone Communications, Inc.	

- realizing value in our partner companies if and when we believe doing so will maximize value for our shareholders.

We incorporated in the Commonwealth of Pennsylvania in 1953. Our corporate headquarters is located at 435 Devon Park Drive, Building 800, Wayne, Pennsylvania 19087.

Significant 2006 Highlights

We are proud of our key accomplishments in 2006:

Realizing Value:

- We sold our interest in Mantas, Inc. to i-flex solutions, ltd., an affiliate of Oracle Corporation, for $112.8 million, for which we recognized a pre-tax gain of approximately $83.9 million. The sale price reflected a 3.9x premium over our carrying value of Mantas, and represented a significant premium over recent valuations of firms in Mantas line of business based upon multiples of revenue and earnings.
- We provided strategic and operational guidance and resources to Alliance Consulting Group Associates, Inc. in the sale of its southwestern U.S. operations for $4.5 million to Logicalis, Inc. Alliance Consulting booked a gain of $1.6 million from this sale.
- We sold our interest in Traffic.com, Inc. for $3.2 million, recognizing a gain of $0.4 million, and in Garage.com, Inc. for $1.2 million, all of which was recognized as a gain.

Deploying Capital:

We acquired 12% of Authentium, Inc. for $5.5 million, enabling this leading provider of security software to internet service providers to expand its growth strategies.

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We provided $6.0 million of equity capital to Acsis, Inc. to fund its growth strategies and expand its business increasing our ownership to 96%.

We provided Clarient, Inc. $3 million of equity capital to support its purchase of the assets of Trestle Holdings, Inc.

We provided strategic guidance and operational support for Alliance Consulting s acquisition of the assets of Fusion Technologies, Inc. for $5.6 million, enabling Alliance Consulting to leverage its Indian technology center resources for clients throughout the world.

We purchased 36% of Rubicor Medical, Inc. for $20 million, allowing this medical device company to work toward the launch of its innovative products for breast cancer biopsy and removal.

We purchased 47% of Portico Systems, Inc. for $6.0 million, allowing Portico to pursue product and service development for its health plan business process software platform.

We acquired 21% of NuPathe, Inc. for $3.0 million as part of a $15.0 million financing that positions NuPathe to advance clinical development of novel transdermal delivery technology for treatment of migraines and central nervous system disorders.

We acquired 32% of Advantedge Healthcare Solutions, Inc. for $5.8 million as part of an up to $20.0 million financing to accelerate its organic growth and make future acquisitions.

Over the course of 2006, we purchased $21.0 million in face value of our 2.625% Convertible Senior Debentures due 2024 for an aggregate of $16.4 million, including accrued interest, resulting in a net gain of $4.3 million.

Augmenting and Building Value:

We added George D. McClelland and Michael J. Cody to our Board of Directors. Mr. McClelland has served in executive management capacities in information technology, life sciences and private equity businesses. Mr. Cody brings to the Board extensive experience in strategic acquisitions and investments, and currently serves as vice president of corporate development for EMC Corp.

We made key hires and promotions in our Life Sciences and Technology Groups, as well as for our investor relations, marketing and support functions.

We formed Technology and Life Sciences Advisory Boards, comprised of prominent industry leaders with specialized knowledge and expertise in their respective sectors. The Advisory Boards augment our internal resources and provide expert guidance and strategic direction to Safeguard and its partner companies, as well as identifying and evaluating deal opportunities.

In July, our common stock was added to the Russell 2000® Index, a leading benchmark of small-cap stocks compiled by the Russell Investment Group.

Our Strategy

We focus on companies that address the strategic challenges facing businesses today, and the opportunities they present. We believe these challenges have five general themes:

Maturity existing technologies, solutions and therapies are reaching the end of their designed life or patent protection; the population of the U.S. is aging; businesses based on once-novel technologies are now facing consolidation and other competitive pressures.

Migration technology platforms are migrating to newer technologies and facing changing cost structures; medical treatments are moving toward earlier stage intervention; and business models are migrating toward different revenue-generation models integrating technologies and services.

Convergence technology and life sciences are intersecting, in fields like medical devices and targeted diagnostics for targeted therapies.

Compliance business spending is being driven by new or increased regulation in both technology and life sciences.

- Cost containment both technology and life sciences are facing increasing pressure for cheaper, yet better solutions.

These themes tend to attract entrepreneurs who need capital support and strategic guidance. Safeguard deploys growth capital along with management expertise, process excellence and marketplace insight designed to provide tangible benefits to growth companies.

Our corporate staff (31 employees at December 31, 2006) is dedicated to creating long-term value for our shareholders by helping our partner companies build value and by finding additional acquisition opportunities.

Identifying Opportunities

Safeguard s marketing and sourcing activities are designed to generate a large volume of high-quality opportunities. Our primary focus is on acquiring majority or minority stakes in growth-stage companies within the technology and life sciences industries with attractive growth prospects. Generally, we prefer candidates:

- operating in large or growing markets;
- with barriers to entry by competitors, such as proprietary technology and intellectual property, or other competitive advantages;
- with capital requirements between $5 million and $50 million; and
- with a compelling strategy for achieving growth.

We target our sourcing efforts on the Northeast/Mid-Atlantic region of the U.S. although we evaluate candidate companies opportunistically throughout the U.S. and southern Canada.

Our Technology Group currently targets companies with the following business models in these technology segments and vertical markets:

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Our Life Sciences Group currently targets companies with the following business models in these segments and vertical markets:

We believe there are many opportunities within these segments and vertical markets, and our sourcing activities are focused on finding candidate companies and evaluating how well they align with our criteria. However, we recognize we may have difficulty identifying candidate companies and completing transactions on terms we believe appropriate. As a result, we cannot be certain how frequently we will complete acquisitions.

Competition. We face intense competition from other companies that acquire, or provide capital to, technology and life sciences businesses. Competitors include venture capital and private equity investors, as well as companies seeking to make strategic acquisitions. Many providers of growth capital also offer strategic guidance, networking access for recruiting and general advice. Nonetheless, we believe we are a preferable capital provider to growth-stage companies because our strategy and capabilities offer:

- responsive operational assistance, including strategy design and execution, business development, corporate development, sales, marketing, finance, facilities, human resources and legal support;
- the flexibility to structure minority or majority transactions with equity and debt;
- liquidity opportunities for founders and investors;
- a focus on maximizing *risk-adjusted* value growth, rather than *absolute* value growth within a narrow or predetermined time frame;
- interim c-level management support, as needed;
- opportunities to leverage Safeguard s balance sheet for borrowing and stability; and
- a record of building revenue growth in our partner companies.

Helping Our Partner Companies Build Value

We offer operational and management support to each of our partner companies through experienced professionals. Our employees have expertise in the areas of business and technology strategy, sales and marketing, operations, finance, legal and transactional support. We provide hands-on assistance to the management of our partner companies to support their growth. We believe our strengths include:

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- applying our expertise to support the company s introduction of new products and services;
- leveraging our market knowledge to generate additional growth opportunities;
- leveraging our business contacts and relationships; and
- identifying and evaluating potential acquisitions and providing capital to pursue potential acquisitions to accelerate growth.

Strategic Support. By helping our partner companies management teams remain focused on critical objectives through provision of human, financial and strategic resources, we believe we are able to accelerate their development and success. We play an active role in determining the strategic direction of our partner companies, including:

- defining short- and long-term strategic goals;
- identifying and planning for the critical success factors to reach these goals;
- identifying and addressing the challenges and operational improvements required to achieve the critical success factors and, ultimately, the strategic goals;
- identifying and implementing the business measurements that we and others will apply to measure the company s success; and
- providing capital to drive growth.

Management and Operational Support. We provide management and operational support to our partner companies in order to accelerate their growth. We engage in ongoing planning and assessment of the development of our partner companies and their management teams. Our executives and our Advisory Boards provide mentoring, advice and guidance to develop the management of our partner companies. Our executives generally serve as directors of our partner companies and work with them to develop and implement strategic and operating plans. We measure and monitor achievement of these plans through regular operational and financial performance measurements. We believe these services provide our partner companies with significant competitive advantages within their respective markets.

Realizing Value

In general, we will hold our stake in a partner company as long as we believe the risk-adjusted value of that stake is maximized by our continued ownership and effort. From time to time, we engage in discussions with other companies interested in our partner companies, either in response to inquiries or as part of a process we initiate. To the extent we believe that a partner company s further growth and development can best be supported by a different ownership structure or if we otherwise believe it is in our shareholders best interests, we may sell some or all of our stake in the partner company. These sales may take the form of privately negotiated sales of securities or assets, public offerings of the partner company s securities and, in the case of our publicly traded partner companies, sales of their securities in the open market. We have in the past taken partner companies public through rights offerings and direct share subscription programs, and we will continue to consider these (or similar) programs to maximize shareholder value. We expect to use the proceeds from these sales (and sales of other assets) primarily to pursue other candidate company opportunities or for other working capital purposes.

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Our Partner Companies

An understanding of our partner companies is important to understanding Safeguard and its value-building strategy. Following are more detailed descriptions of our majority-owned partner companies. The ownership percentage is presented as of December 31, 2006 and reflects the percentage of the vote we are entitled to cast based on issued and outstanding voting securities, excluding the effect of options, warrants and convertible debt. From time to time we may seek to opportunistically increase our position or sell some or all of our interests in these companies.

Acsis, Inc. **(Safeguard Ownership: 96%)**

Safeguard Opportunity. We acquired Acsis in December 2005 because we believe Acsis is and will be integral to the migration of mature supply-chain management systems to include newer technologies, such as radio-frequency identification (RFID) in a heterogeneous environment that will integrate the manufacture and distribution floors into Enterprise Resource Planning (ERP) systems. Many Fortune 1000 clients already leverage Acsis solutions to obtain labor efficiencies and supply chain visibility. We believe that powerful industry trends business process automation, RFID compliance mandates, and compliance with regulations mandating tracking of food and drug products provide a large market and growth opportunity for Acsis. Spending on enterprise data collection software and services has been growing significantly, and Acsis believes it currently exceeds $1 billion annually. Recent mandates from major national retailers as well as government agencies have prompted manufacturers to upgrade their existing data collection infrastructure with RFID technology.

General. Acsis (www.acsisinc.com) is a leading provider of software and service solutions that assist manufacturing companies in improving efficiencies throughout the entire supply-chain. Its solutions enable manufacturers to automate plant floor/warehouse operations and take advantage of emerging automated-ID technologies, including RFID and barcode. Acsis solutions provide the critical data links between activities or material movements that take place on the shop floor and ERP systems. They improve visibility of goods throughout supply-chains, ultimately resulting in increased revenues, improved customer service and reduced costs. Founded in 1996, Acsis offered one of the first solutions to facilitate the control and integration of plant floor and warehouse devices with SAP s ERP software.

Strategy. Acsis strategy is to leverage its wide and deep experience in a variety of vertical industries, such as chemical, pharmaceutical and consumer packaged goods, to craft real-time supply-chain solutions for SAP R/3® as well as other enterprise systems. Acsis knowledge of the business processes and typical transactions in these industries allows it to deliver tailored solutions. Acsis couples this with broad expertise in SAP R/3 implementations, automated data-collection and integration solutions, and a proven track record. Acsis also has strategic partnerships with leading technology providers and consultants. As an example, Acsis was the first to successfully complete the integration testing between its xDDi software and SAP s Auto-ID Infrastructure component of the SAP NetWeaver open integration and application platform.

Manufacturers are upgrading and enhancing their existing infrastructure to improve efficiencies and integrate new technologies like RFID. Manufacturers are making these investments not only in response to governmental and retailer mandates, but also to maximize the benefits of just-in-time inventory practices. Acsis believes its solutions provide them with better ways to:

- constantly view and manage every link in their supply-chain in real time;
- communicate and control changes in their supply-chain;
- automate the collection and integration of critical data from any source; and
- protect their processes from interruption.

Solutions. Acsis draws from a variety of technologies and service offerings to create a solution that matches the client s business, budget and IT environment. Solutions range from value-added services for implementing SAPConsole to the advanced shop floor process automation and data collection using the xDDi as a shop floor platform. If requested, Acsis will also procure all necessary hardware and software to deliver a turnkey data-collection system.

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Acsis key internally-developed software solution components featured in the Acsis Lean Enterprise Suite (ALES) a bundled set of applications that connects people, devices and supply chain events with client ERP systems. ALES is comprised of the following components:

xDDi (xApp for Device and Data Integration) Software

enterprise software solution enabling data collection from any device in the supply-chain (such as scales, optical eyes printers bar code scanners and RFID tags) and aggregate filter and translate it for integration with ERP systems

converts SAP process and workflows into manageable shop floor events, directs employee task lists (via handheld devices or vehicle mounted units) and integrates the resulting data back to SAP

Enterprise Label Management Software

enterprise software solution enabling users to design and generate customer-specific label formats directly from SAP ERP data and manage them from a central location

enables users to manage label formats across your enterprise to reduce time and costs, and insures compliance to reduce shipment rejections, incorrect shipments and mislabeling

Line Manager Appliances

intelligent appliances to support RFID- and barcode-based product tracking for warehouse, manufacturing, packing and shipping operations

automates manufacturing, packing, labeling and shipping operations, and manages events and alerts to proactively notify users of significant process events in order to improve quality and prevent production delays

Plant Manager Software

enterprise software solution helping users efficiently execute manufacturing and warehouse operations allows operations to be monitored from receiving to manufacturing and through distribution, and management of key performance indicators for real-time visibility of work orders throughout all manufacturing and warehouse facilities

RFID Analytics

helps users gain product visibility and intelligence throughout your supply chain by analyzing key metrics

Acsis works with its clients to develop manufacturing, warehousing, RFID and mobile solutions tailored to the client s needs and budget. Acsis also maintains a highly-experienced and trained professional services group to provide consulting and technical services. Typical professional service engagements include:

problem analysis and business case development;

enterprise systems design;

data modeling;

process evaluations and recommendations;

hardware and software evaluation;

help desk;

application maintenance and enhancements; and

communications and connectivity.

Offices and Employees. Acsis employs approximately 109 people at its headquarters in Marlton, New Jersey, and in Munich, Germany.

Sales and Marketing; Customers. Acsis has a track record including more than 650 implementations in 28 countries. Acsis typical customers are large manufacturing, pharmaceutical or consumer packaged goods businesses with more than $1 billion in revenue and substantial international operations. In 2006, two customers each represented more than 10% of Acsis s revenue.

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Sales are typically made in warehouse, logistics, fulfillment or other operations units of its clients with a customary sales cycle of three to six months. At the end of a sales cycle, Acsis provides consulting, blueprinting and implementation services, go-live support and ongoing help desk support. Acsis then works with customers on a regular and ongoing basis to support their operations and provide further benefits with additional solutions or by implementing solutions at additional sites. Approximately half of Acsis customer base utilizes multiple solutions provided by Acsis, and many customers are using Acsis solutions in multiple sites across the world.

Competition. Acsis competition generally comes from large, diversified consulting businesses or niche providers with a variety of individual solutions for barcode, RFID or other data collection systems. Acsis seeks to differentiate itself by proving a single, integrated platform which can be used across the enterprise to increase efficiencies and reduce operational costs.

Alliance Consulting Group Associates, Inc. **(Safeguard Ownership: 99%)**

Safeguard Opportunity. We acquired Alliance Consulting in December 2002 because we saw a growing and highly fragmented market in which we believed Alliance Consulting could achieve profitable growth. Capitalizing on its deep domain expertise in the pharmaceutical, healthcare, financial services, manufacturing and high tech distribution industries, its extensive staff resources and strong customer relationships, we believe that Alliance Consulting can continue to grow its profitability.

General. Alliance Consulting (www.alliance-consulting.com) is a leading national business intelligence solutions consultancy providing services to primarily Fortune 2000 clients in the pharmaceutical, financial services, manufacturing and high tech industries. Alliance Consulting specializes in two practice areas:

- Information Management, which is comprised of a full range of business intelligence solutions from data acquisition and warehousing to master data management, analytics and reporting; and

- Application Services, which includes software development, integration, testing and application support, delivered through a high quality and cost effective hybrid global delivery model.

Strategy. Alliance Consulting has developed a strategy focused on enabling business intelligence through the application of domain experience and custom-tailored project teams to deliver software solutions and consulting services. Alliance Consulting believes that its growth opportunities benefit from the following industry trends:

- The volume of data being processed by businesses is increasing at an exponential rate, making businesses dependent upon the effective and efficient processing of this data and requiring significant and ongoing investment in technology infrastructure and resources, but with continuing decreases in the cost of computing power, storage and communication systems.
- The complexity of this data is increasing, with multiple and diverse inflow sources containing a wide variety of structured and unstructured information.
- The value to the business of this data is increasing, driven in part by regulatory and compliance requirements and strategic and competitive pressures, yet businesses are facing continuing budget constraints, prompting the need to maximize cost-effective solutions.

Services. Through an integrated network of local branch offices in North America, and its offshore development centers located in Hyderabad and Bangalore, India, Alliance Consulting provides a flexible engagement approach to its clients, using fixed bid or time and materials pricing models; teams or individual consultants; on-site, off-site or offshore delivery; and short- or long-term support.

Alliance Consulting s services are targeted to:

- **Business intelligence and data management** using data warehousing technologies to develop complete business intelligence infrastructures, applications and processes to enhance the competitiveness of clients.

Corporate performance management using enterprise-wide reporting and analysis, forecasting and budgeting and other tools to provide real-time information, enabling corporate managers to better monitor critical operating performance metrics and implement rapid, targeted adjustments to increase effectiveness, efficiency and profitability.

Application development using assessment tools, architecture design and implementation of advanced, scalable and flexible, customized software solutions to leverage existing software assets through the integration of state-of-the-art web-based technologies.

Outsourcing working with clients to understand the IT support needs of the business, costs and internal/external service capabilities and then implementing outsourcing solutions for data center operations, applications development and maintenance, distributed and desktop processing, voice and data networks, Internet and web hosting and help/service desk functions.

Alliance Consulting maintains a full-time core staff complemented by a flexible combination of hourly employees and independent contractors, providing clients with specialized engagement teams tailored to their specific business requirements. This approach enables Alliance Consulting to offer a precise combination of technical, industry, and process knowledge to support each engagement while maximizing utilization of its staff and contracting consultants. Alliance Consulting s employee and independent contractor resources are supported on an ongoing basis through internal and external recruiting targeted at high-quality, experienced professionals with significant product and industry expertise.

Offices and Employees. Alliance Consulting is headquartered in Conshohocken, Pennsylvania, and it operates five other regional offices and three satellite locations throughout the United States and two primary locations in India. Alliance Consulting supplements its full-time employees by utilizing subcontractors. At December 31, 2006, Alliance Consulting had 697 full-time employees and approximately 205 subcontractors. Alliance Consulting believes its relationship with its employees and subcontractors is good. Alliance Consulting believes its growth and success are dependent on the caliber of its people and will continue to dedicate significant resources to hiring, training and development, and career advancement programs.

During 2006, Alliance Consulting sold its non-core southwest regional operation with offices in Phoenix, Los Angeles and Dallas, along with associated client activity and consultants, to Logicalis, Inc. The Company used the proceeds of the sale to acquire Fusion Technologies, an application outsourcing provider with significant operations in Hyderabad and Bangalore, India. This acquisition more than doubled Alliance Consulting s capacity for application outsourcing work in India, and added several strong reference clients in financial services and high tech in the United States.

Sales and Marketing; Customers. Alliance Consulting uses a customer relationship-based approach to generating new clients and new engagements with existing clients. Some of Alliance Consulting s clients include JP Morgan Chase, Wyeth Pharmaceuticals, Pfizer Pharmaceuticals, Johnson & Johnson and EMC. Alliance Consulting markets its services through a direct sales force, which is based in regional and satellite offices. Account executives are assigned to a limited number of accounts so they can develop an in-depth understanding of each client s individual needs and form strong client relationships. In 2006, two customers each represented more than 10% of Alliance Consulting s revenue. In 2005, the same two customers each represented more than 10% of Alliance Consulting s revenue.

Following common industry practice, many of Alliance Consulting s orders are terminable by either the client or Alliance Consulting on short notice. Because many clients can cancel or reduce the scope of their engagements on short notice, Alliance Consulting does not believe that backlog is a reliable indication of future business.

Competition. Alliance Consulting s revenue potential is largely dependent upon target customers spending for IT services and its ability to compete with local, national and offshore providers of consulting services. Many of these competitors (such as major IT consulting firms) have greater financial and human resources than Alliance Consulting. Alliance Consulting believes that the basis for competition in its industry includes the ability to create an integrated solution that best meets the needs of an individual customer, provide competitive cost pricing models,

develop strong client relationships, provide high-quality consultants with industry and process specific technical expertise, and offer flexible client-service delivery options.

Clarient, Inc. **(Safeguard Ownership: 60%)**

Safeguard Opportunity. Safeguard first took an ownership interest in Clarient in 1996, and we have increased our ownership position over time. Shares of Clarient s common stock trade on the Nasdaq Capital Market under the symbol CLRT.

We believe that increasingly specific targeted cancer therapies will need more specialized and complex diagnostic tests in order to improve cancer therapy outcomes. The continued aging of the U.S. and European populations, coupled with the higher incidence of cancer among seniors, support an expanding market for Clarient s services. Clarient is now leveraging its technical expertise, access to proprietary technology and capital investment to provide its diagnostic services to a larger customer base.

General. Clarient (www.clarientinc.com) is a comprehensive cancer diagnostics company providing cellular assessment and cancer characterization to community pathologists.

Clarient s goal is to be positioned to capture a substantially greater portion of the cancer diagnostics market by serving the needs of the market from drug discovery through clinical practice through a technology-empowered laboratory, deploying the best available testing platforms and leveraging the Internet to deliver this information to the community pathologist.

Strategy. Clarient s mission is to be the leader in cancer diagnostics by building collaborative relationships with the health care community in order to translate cancer discovery and information into better patient care. To accomplish this, Clarient focuses on identifying high-quality opportunities to increase profitability and differentiate its service offerings in its highly-competitive market. An important aspect of Clarient s strategy is to combine its medical expertise with proprietary technologies to develop novel diagnostic tests and analytical capabilities. In particular, Clarient is seeking to deploy novel markers, or biomarkers, which are characteristics of an individual s tumor or disease that, once identified and qualified, allow for more accurate prognosis, diagnosis and treatment. Broader discovery and use of novel markers is hoped to clarify and simplify decisions for healthcare providers and the biopharmaceutical industry. The growing demand for personalized medicine has generated a need for these novel diagnostics.

Services. Clarient provides a wide variety of cancer diagnostics and consultative services, ranging from technical laboratory services to professional interpretation. By combining core competencies in image analysis and data quantification with its knowledge of virtual environments, Clarient has created valuable service offerings for pathologists in practice and research. Clarient believes that the growing need for precise diagnosis combined with the ability to put comprehensive information into a single, coherent computer-accessible platform for clinicians presents development opportunities for new directed diagnostic services using the image analysis platform. Clarient offers a broad menu of specialized technologies such as image analysis, fluorescent in situ hybridization (FISH), flow cytometry, cytogenetics and molecular diagnostics. Within anatomic pathology, Clarient focuses on the top four solid tumors (breast, prostate, lung and colon), which represent 61% of all new cases.

Clarient also provides hematopathology testing for leukemia and lymphoma, and expects to expand service offerings as new assays emerge. For biopharmaceutical companies and other research organizations, Clarient offers a complete compliment of commercial services to assist their efforts, ranging from drug discovery to the development of directed diagnostics through clinical trials.

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Sale of Technology Group. On March 8, 2007, Clarient sold its technology group business (which developed, manufactured and marketed the ACIS® Automated Image Analysis System) and related intellectual property to Zeiss MicroImaging, Inc. (the ACIS Sale) for an aggregate purchase price of $12.5 million (including $1.5 million in contingent purchase price). As part of the ACIS Sale, Clarient entered into a license agreement with Zeiss pursuant to which Zeiss granted the Company a non-exclusive, perpetual and royalty-free license to certain of the transferred intellectual property for use in connection with imaging applications and the Company s laboratory services business. Clarient and Zeiss also committed to pursue a strategic joint development arrangement to develop novel markers and new menu applications for the ACIS product line.

Sales and Marketing. Most of Clarient s sales resources are dedicated to the growing diagnostic services business. Targeting community pathology practices and hospitals, the sales process is designed to understand the customer s needs and develop appropriate solutions from its range of laboratory service options. Clarient s sales approach focuses on expanding organic sales within its current customer base as well as potential customers. Marketing efforts focus on establishing a strong and distinctive brand identity for Clarient s diagnostic services within the targeted segment of community pathologists. Clarient uses its CONTINUUM national and regional seminar and webinar programs designed to provide a one-on-one collaborative environment for its advisory board and medical staff to interact directly with potential customers.

Patents and Proprietary Technology. Clarient seeks to broaden the scope of its intellectual property portfolio for laboratory services methodologies, using automated cellular instrumentation, rare event identification, and proteomic mathematic capabilities. As part of the ACIS Sale, Clarient transferred its patent portfolio and related intellectual property to Zeiss. However, Clarient retained a license to use certain of that intellectual property, which Clarient plans to use in the development of new tests, applications, unique analytical capabilities and other service offerings, including novel markers. Clarient also relies on trade secrets and proprietary know-how that it seeks to protect, in part, through confidentiality agreements with employees and consultants. If Clarient is unable to protect its patents and proprietary rights, its reputation and competitiveness in the marketplace could be materially damaged.

Competition. The clinical laboratory business is highly competitive and dominated by several national laboratories, as well as many smaller niche and regional organizations. Clarient s primary competitors include large independent laboratories that offer a wide test and product menu on a national scale. These large national independent laboratories have significantly greater financial, sales and logistical resources than Clarient and may be able to achieve greater economies of scale, or establish contracts with payor groups on more favorable terms. Clarient also competes with smaller niche laboratories that address a narrow segment of the esoteric market by offering very specific assay menus. Finally, institutions that are affiliated with large medical centers or universities compete with Clarient on the limited basis of perceived quality of service.

Companies within the diagnostic testing industry are also responding to new technologies, products and services. We believe some of Clarient s current competitors as well as other currently non-competitive companies are actively conducting research in areas where Clarient is also conducting development activities. The products and services these companies develop may directly compete with Clarient s current or potential services, or may address other areas of diagnostic evaluation, making those companies compete more effectively against Clarient. Furthermore, because the diagnostic testing market is sensitive to the timing of product and service availability, quickly developing and achieving clinical study and regulatory success may provide an advantage.

Research & Development. With the ACIS Sale complete, Clarient s research and development efforts are now primarily focused on developing new assays and novel cancer markers to commercialize for its laboratory services business. Quality and regulatory staff assure that every developed test and application meets stringent regulatory guidelines. Research and development spending by Clarient (which had been primarily focused on improving the ACIS technology) was approximately $4.5 million, $3.7 million and $4.1 million in 2006, 2005, and 2004, respectively. As a result of the ACIS Sale, we expect Clarient s research and development expenses to decline substantially in 2007.

Governmental Regulation. Because Clarient operates a clinical laboratory, many aspects of its business are subject to the complex federal, state and local regulations applicable to laboratory operations. In particular, the federal Clinical Laboratory Improvement Amendments (CLIA) specify the quality standards for proficiency testing, patient test management, quality control, personnel qualifications and quality assurance for Clarient s laboratory. Clarient received its CLIA certification in late 2004. In addition, Clarient s facilities have been issued licenses to provide laboratory diagnostic services in California. The State of California could prohibit provision of laboratory services if Clarient

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fails to maintain or renew these licenses. Additionally, requirements of states where laboratory services may be provided have various application and provisional requirements that must be satisfied. Laws and regulations pertaining to the services provided by Clarient are subject to change and depend heavily on administrative interpretations by federal and state agencies.

Facilities. In 2006, Clarient moved all of its operations into a new 78,000 square foot facility in Aliso Viejo, California to expand its capacity and allow for the ongoing growth. Clarient currently occupies approximately 43,000 square feet of that facility, and has subleased an additional 34,000 square feet.

Employees. As of December 31, 2006, Clarient had 204 employees. As a result of the ACIS Sale, at March 9, 2007, Clarient had 171 employees: 119 in laboratory diagnostics positions (including product development); 23 in finance, executive and administrative positions; and 29 in sales and marketing positions. Clarient believes that its relationship with its employees is good.

Laureate Pharma, Inc. **(Safeguard Ownership: 100%)**

Safeguard Opportunity. We acquired the business and assets operated by Laureate Pharma in December 2004. We made this acquisition because we recognized that the substantial growth in sales of biotechnology products has spurred a significant investment by large pharmaceutical companies and smaller biotechnology companies in the development of new biotechnology products for human therapeutics. Few of these companies, particularly biotechnology companies have the resources or expertise to manufacture the quantities of drug product needed to conduct clinical trials and commercialize approved products. Laureate Pharma provides its customers with a cost-effective, lower-risk alternative, which also improves the quality of their products and processes and reduces time-to-market.

General. Laureate Pharma (www.laureatepharma.com) is a full-service contract manufacturing organization (CMO) providing critical development and current Good Manufacturing Practices (cGMP) manufacturing services. Laureate Pharma manufactures small- and medium-scale quantities of biopharmaceutical products in its FDA-registered facility. Laureate Pharma s clients use these supplies (depending on their regulatory status) for preclinical studies, clinical trials or commercial sales. Laureate Pharma seeks to become a leader in this segment of the biopharmaceutical industry by delivering superior development and manufacturing services to its customers. Laureate Pharma s headquarters and manufacturing facility is located in Princeton, New Jersey.

Strategy. Laureate Pharma s strategy is to build on its strong customer relationships and generate new customers, to increase its new services and products, and to maintain its reputation for high quality in the use of state-of-the-art technology to deliver products and services that meet applicable regulatory, environmental and safety requirements, including cGMPs.

Laureate Pharma believes its growth opportunities are driven by the following industry trends:

- Substantial growth in the development of biotechnology products for human therapeutics, representing an increasing percentage of the total pharma pipeline.

- Demand for manufacturing capacity, along with the significant capital required to build capacity, creating increased opportunities for outsourced services.

- Need for product development support, equipment and facilities by biotechnology companies without existing capabilities.

We believe Laureate Pharma s broad range of services and deep development expertise position it to benefit from these trends.

Services. Laureate Pharma s services include:

Bioprocessing, which focuses on clinical stage and small-to medium-sale commercial biopharmaceutical products and comprises the essential steps to support the development and commercialization of customers products, including:

- Cell Line Development and Optimization to improve and maximize protein productivity of production cell lines in optimal growth media; the cell lines in turn produce the product protein.
- Process Development to bring the product from clinical laboratory scale to pilot production and on to clinical- and commercial-scale production; essential to make sufficient product to support clinical trials and small-scale commercial production.
- Purification Development to design and validate procedures for removal of impurities and purification of products that comply with regulatory requirements.
- Bioreactor Production using stirred-tank, disposable bag and hollow-fiber mammalian cell culture bioreactors ranging from 20 to 2,500 liters to produce biopharmaceutical protein products.
- Downstream Processing to develop and operate robust purification processes for cGMP manufacture of client s products; Laureate Pharma also performs process validation studies as may be required for client products.
- Aseptic Filling aseptic vial filling of biopharmaceutical and drug products in batch sizes up to 10,000 vials or 200 liters of bulk volume.

Quality Control, which includes analytical and microbiology testing of raw materials, in-process and finished products.

Quality Assurance, which includes preparation, control and review of documentation, including standard operating procedures (SOPs), master batch records, test procedures, and specifications. Laureate Pharma reviews and releases all controlled materials, including raw materials, intermediates and products.

Research and Development. Laureate Pharma s research and development efforts are focused on improving its technology and developing processes for the manufacture of new products to meet customer requirements. The primary goals are to improve manufacturing processes to reduce costs, improve quality and increase capacity.

Intellectual Property. Laureate Pharma relies primarily on know-how in its manufacturing processes and techniques not generally known to other life sciences companies to develop and maintain its market position. Laureate Pharma requires employees to sign confidentiality and other protective agreements where appropriate.

Sales and Marketing; Customers. Laureate Pharma provides process development and manufacturing services on a contract basis to biopharmaceutical companies. Laureate Pharma s customers generally include small to mid-sized biotechnology and pharmaceutical companies seeking outsourced bioprocessing manufacturing and development services. Laureate Pharma s customers are often dependent on the availability of funding to pursue drugs that are in early stages of clinical trials, and thus have high failure rates. The loss of one or more customers can result in significant swings in profitability from quarter to quarter and year to year. Although there has been a trend among biopharmaceutical companies to outsource drug production functions, this trend may not continue. Although clients tend to maintain one manufacturer through clinical trial phases and even early commercial production, many of Laureate Pharma s contracts are of short duration. As a result, Laureate Pharma seeks new contracts to sustain its revenue. In 2006, four customers each represented more than 10% of Laureate Pharma s revenues; in 2005, two customers each represented more than 10% of Laureate Pharma s revenue from continuing operations.

Competition. Our primary competitors focus on supplying clinical scale contract biopharmaceutical development and manufacturing services to biotechnology companies. Generally, the larger of these competitors focus on larger quantities and scale of manufacturing capacity. Laureate Pharma focuses on process development and manufacturing services for clinical and small- and medium-scale commercial production, and maintains a reputation for regulatory compliance, a commitment to quality and excellent early process development services. Laureate Pharma believes that customers in its target markets display loyalty to their initial services provider.

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Therefore, it may be difficult to generate sales to potential customers who have purchased development and manufacturing services from competitors. To the extent Laureate Pharma is unable to be the first to develop and supply new biopharmaceutical products for its clients, its competitive position may suffer.

Employees. At December 31, 2006, Laureate Pharma had 92 full-time employees and believes its employee relations are good.

Pacific Title & Art Studio, Inc. (**Safeguard Ownership: 100%**)

Safeguard Opportunity. We acquired an interest in Pacific Title in 1997 and increased our ownership position over time. Technology has driven fundamental changes in the production and post-production of motion picture and television content, with increased emphasis on special effects, digital color correction, 3D animation and many other sophisticated elements. As a pioneer since 1919 in the development and introduction of new methods, services and technologies, we believe Pacific Title is uniquely positioned to lead the continued expansion of digital technologies. Leveraging state-of-the-art equipment and significant domain expertise, Pacific Title can handle the enormous volume and complex programming needed to meet the often changing and rush delivery needs of its clients.

General. Pacific Title (www.pactitle.com) is a leading provider of a broad range of digital and photo-chemical services for post-production and archival applications in the Hollywood motion picture and television industry. Pacific Title provides a complete array of state-of-the-art digital post-production capabilities both for new releases and restoration of film libraries, leading the transformation from optical, analog image reproduction and processing to more dynamic, cost-effective and flexible digital image processing technologies.

Strategy. Pacific Title seeks to meet the high-quality service and technological support needs of motion picture studios and production companies. Pacific Title believes that its past growth and future opportunities are being driven by the following industry trends:

- A shift in demand for original film entertainment content capture and manipulated in digital formats as opposed to analog format;
- The development of new and expanding markets for existing film libraries, including remastering, high resolution scanning, archiving and restoration services.
- Increased demand for innovation and technological advances to support creative vision;
- Expanding application of digital technologies for content manipulation, as well as the anticipated deployment of digital distribution and display technologies (including emerging digital projection); and
- Increasing concern for the preservation, restoration and storage of aging film libraries.

We believe Pacific Title s services and industry stature have well positioned the company to continue its leadership in anticipating and meeting its customers needs.

Services. Pacific Title maintains post-production facilities as components of its full range of integrated services. Pacific Title s customers may choose one, several or all of these services based on their needs from project to project.

Sales and Marketing; Customers. Pacific Title markets its services through a combination of industry referrals, formal advertising, trade show participation, special client events, and its Internet website. While it relies primarily on its reputation and business contacts within the industry for the marketing of its services, Pacific Title also maintains a direct sales force to communicate the capabilities and competitive advantages of its services to potential new customers. In addition to its traditional sales efforts directed at those individuals responsible for placing orders, Pacific Title negotiates discounted rates with large volume clients in return for being promoted within the client s organization as an established and accepted vendor. Pacific Title negotiates such agreements periodically with major entertainment studios.

Pacific Title s clients include Walt Disney Company, 20th Century-Fox, Universal Studios, Warner Bros., Sony Pictures Entertainment, Dreamworks SKG, Columbia/Tri-Star and Paramount Pictures, as well as many independent motion picture and television production companies. Pacific Title generally does not have exclusive service agreements with its clients. Because clients generally do not make arrangements with Pacific Title until shortly before its facilities and services are required, Pacific Title usually does not have a significant backlog of service orders. Pacific Title s services are generally offered on an hourly or per unit basis based on volume and client demand. For 2006, three customers each represented more than 10% of Pacific Title s revenues. For the year ended December 31, 2005, four customers each represented more than 10% of Pacific Title s revenues.

Competition. Pacific Title operates in a competitive, service-oriented industry. Certain competitors provide many of the services provided by Pacific Title, while others specialize in one or several of these services. Some of these companies have greater financial, operational and marketing resources than Pacific Title. Substantially all of Pacific Title s competitors have a presence in the Hollywood, California area, which is the largest market for Pacific Title s services. Pacific Title believes that it maintains a competitive edge in its market through the quality and scope of the services it provides and its proven tradition of providing timely delivery of these services. Pacific Title believes that prices for its services are competitive within its industry, although some competitors may offer certain of their services at lower rates than Pacific Title. The principal competitive factors affecting this market are reliability, timeliness, quality and price. Pacific Title also competes, to a lesser extent, with the in-house operations of major motion picture studios.

Seasonality. Pacific Title s business is subject to substantial variations as a result of seasonality, which the company believes is typical of the film post-production industry. Demand for Pacific Title s service also has been adversely impacted on several occasions in recent years as a result of actual or threatened labor stoppages in its customers film production industry.

Employees. At December 31, 2006, Pacific Title had 131 employees. Approximately 38 employees are represented by the International Alliance of Theatrical and Stage Employees pursuant to a collective bargaining agreement, which expires in July 2009. Pacific Title has never experienced a work stoppage and considers its relations with its employees to be good.

Other Partner Companies and Funds

In 2006 we added five new partner companies; these partner companies are not consolidated based on the level of our voting interests.

Advantedge Healthcare Solutions, Inc. **(Safeguard Ownership: 32%)**

General. AHS (www.ahsnewyork.com) provides advanced medical billing software and services, operating both as a business process outsourcer (BPO) and an applications services provider (ASP). AHS employs proprietary, web-based technology and continuous business process improvement methods to increase the operating efficiencies of medical billing and to improve results for its physician customers.

Safeguard Opportunity. The outsourced medical claims billing market is estimated to be approximately $4 billion and growing. However, despite its size, the market is extremely fragmented, allowing for numerous consolidation opportunities. We believe AHS proprietary software, coupled with its management team s extensive experience in the healthcare, software and medical claims billing markets, lays the foundation for AHS continued growth and acquisitions.

Authentium, Inc. **(Safeguard Ownership: 12%)**

General. Authentium (www.authentium.com) is a leading developer of security software as a service (SaaS) technologies and systems. Its Extensible Security Platform (ESP) allows users to customize security technologies from Authentium and others (such as antivirus, firewalls, content filtering, and compliance monitoring) into their products and services. Authentium s customers ISPs, cable companies, carriers and other service providers in turn distribute these bundled solutions to residential and enterprise customers.

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Safeguard Opportunity. As hackers become more sophisticated, the market for IT security has grown and is expected to reach $10.7 billion by 2009. We believe Authentium s recurring revenue model, coupled with its ability to leverage its customers sales efforts, provides a good foundation for growth in this market.

NuPathe, Inc. **(Safeguard Ownership: 21%)**

General. NuPathe (www.nupathe.com) is a specialty pharmaceutical company focused on acquiring and developing innovative therapeutic products for the treatment of neurological or psychiatric disease. NuPathe s lead product, NP101, is a transdermal patch that delivers the drug sumatriptan for the treatment of migraines. The ability to deliver migraine medication through a fast and long-acting transdermal patch may provide an alternative for the large percentage of migraine patients who suffer from nausea, vomiting or migraine recurrence. Two additional products, NP201 and NP202, are in preclinical development as potential therapies to treat Parkinson s disease and schizophrenia respectively. The development of drug delivery alternatives designed to make current therapies safer and more effective is a core focus of NuPathe s business platform.

Safeguard Opportunity. By combining existing drug delivery technology with a market-accepted drug, NuPathe is positioned at a compelling market junction. We believe that NuPathe s approach presents an opportunity to compete effectively in the market for migraine treatments, estimated to exceed $2 billion.

Portico Systems, Inc. **(Safeguard Ownership: 47%)**

General. Portico (www.porticosys.com) is a leading software solutions provider for regional and national health plans looking to optimize provider network operations and streamline business processes. The Portico Provider Platform is a suite of solutions that helps health plans address challenges such as growing healthcare costs, quality, consumerism, competition and regulatory changes while creating an agile infrastructure that lays a foundation for efficiency and flexibility. Portico Provider Platform easily integrates with other plan systems, leading partners, service consultants and complementary solution providers. The Portico Provider Platform streamlines provider network processes and accelerates new revenue streams, enhancing employee effectiveness and optimizing provider relationships.

Safeguard Opportunity. There are increasing pressures on health plans to improve operating efficiencies, and their current provider data typically does not provide visibility and detailed analysis. In an effort to address the growing need for data transparency, as well as reduce the estimated $18 billion in administrative costs from rejected medical claims due to incorrect provider data, health plans are looking to leverage provider network operations as a strategic asset. We believe Portico is well-positioned to assist health plans in streamlining business processes and ensuring timely and accurate information with their innovative software solution, Portico Provider Platform. We believe Portico has a competitive advantage in the healthcare enterprise applications and analytics market and has sizable growth opportunities.

Rubicor Medical, Inc. **(Safeguard Ownership: 36%)**

General. Rubicor (www.rubicor.com) develops and distributes technologically advanced, disposable, minimally-invasive, breast biopsy and tumor removal devices. Rubicor s three device (which have received FDA clearance) represent attractive alternatives to existing procedures and technology for breast lesion biopsy and removal. This results in a more accurate assessment of the sample including evaluation of margin and determination of size.

Safeguard Opportunity. The innovative concept and design of Rubicor s products makes them an attractive alternative to open surgical biopsy and lesion removal. We estimate the market in which Rubicor competes could be in excess of $500 million today in the United States. We believe there is an opportunity for physicians using Rubicor technology to improve patient outcomes and move many breast surgeries from the operating room to the doctor s office.

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Other Partner Companies and Funds. We hold minority interests in a number of other companies and funds, some of which do not operate in our currently targeted market segments. Following are summary descriptions of some of these companies, none of which are consolidated based on the level of our voting interests.

Company	Description of Business	% Owned By Safeguard
Neuronyx, Inc. (www.neuronyx.com)	Development-stage biopharmaceutical company, developing stem-cell based therapeutic products. Neuronyx leverages the ability of adult bone marrow-derived stem cells to repair, regenerate and remodel tissue in acute and chronic disease settings. Neuronyx is currently in phase I clinical trials for the prevention of heart failure post myocardial infarction.	7%
NexTone Communications, Inc. (www.nextone.com)	Developer of carrier-grade products that provide scalable session management of voice over IP (VoIP) and other real-time services.	17%
PROMODEL Corporation (www.promodel.com)	Combines professional services and innovative technology to deliver business process optimization and decision support solutions to the pharmaceutical, healthcare and manufacturing and logistics industries.	50%
Ventaira Pharmaceuticals, Inc. (www.ventaira.com)	Specialty pharmaceutical company using novel aerosolization technology to develop highly differentiated pharmaceutical products. Ventaira Pharmaceuticals combines novel applications of generic drugs with the superior delivery benefits of its Mystic™ inhaled drug delivery technology.	13%

We also participate in earlier stage technology and life sciences development through our interests in several private equity funds. During 2006, we provided a total of $1.7 million in funding of previously committed capital to these funds. We sold our interests in many of our private equity funds in 2005, and we may continue to opportunistically sell our remaining private equity fund interests.

FINANCIAL INFORMATION ABOUT OPERATING SEGMENTS

Information on revenues, operating income (loss), net income (loss) from continuing operations and assets for each operating segment of Safeguard s business for each of the three years in the period ended December 31, 2006 is contained in Note 20 to the Consolidated Financial Statements.

OTHER INFORMATION

The operations of Safeguard and its companies are subject to environmental laws and regulations. Safeguard does not believe that expenditures relating to those laws and regulations will have a material adverse effect on the business, financial condition or results of operations of Safeguard.

AVAILABLE INFORMATION

All periodic and current reports, registration statements, and other filings that Safeguard is required to file with the Securities and Exchange Commission (SEC), including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act, are available free of charge from the SEC s website (http://www.sec.gov) or public reference room at 450 Fifth Street N.W., Washington, DC 20549 (1-800-SEC-0330) or through Safeguard s Internet website at *http://www.safeguard.com.* Such documents are available as soon as reasonably practicable after electronic filing of the material with the SEC. Copies of these reports (excluding exhibits) may also be obtained free of charge, upon written request to: Investor Relations, Safeguard Scientifics, Inc., 435 Devon Park Drive, Building 800, Wayne, PA 19087.

The internet website addresses for Safeguard and its companies are included in this report for identification purposes. The information contained therein or connected thereto are not intended to be incorporated into this Annual Report on Form 10-K.

The following corporate governance documents are available free of charge on Safeguard s website: the charters of our Audit, Compensation and Nominating & Corporate Governance Committees, our Corporate Governance Guidelines and our Code of Business Conduct and Ethics. Copies of these corporate governance documents also may be obtained by any shareholder, free of charge, upon written request to: Corporate Secretary, Safeguard Scientifics, Inc., 435 Devon Park Drive, Building 800, Wayne, Pennsylvania 19087. We also will post on our website any amendments to or waivers of our Code of Business Conduct and Ethics that relate to our directors and executive officers.

Item 1A. *Risk Factors*

You should carefully consider the information set forth below before making an investment decision. If any of the following risks actually occur, our business, financial condition or results of operations could be materially harmed, and the value of our securities may decline. You should also refer to other information included or incorporated by reference in this report.

Risks Related to Our Business

Our business depends upon the performance of our partner companies, which is uncertain.

If our partner companies do not succeed, the value of our assets could be significantly reduced and require substantial impairments or write-offs, and our results of operations and the price of our common stock could decline. The risks relating to our partner companies include:

- most of our partner companies have a history of operating losses or a limited operating history;
- intensifying competition affecting the products and services our partner companies offer could adversely affect their businesses, financial condition, results of operations and prospects for growth;
- inability to adapt to the rapidly changing marketplaces;
- inability to manage growth;
- the need for additional capital to fund their operations, which we may not be able to fund or which may not be available from third parties on acceptable terms, if at all;
- inability to protect their proprietary rights and infringing on the proprietary rights of others;
- certain of our partner companies could face legal liabilities from claims made against their operations, products or work;
- the impact of economic downturns on their operations, results and growth prospects;
- inability to attract and retain qualified personnel; and
- government regulations and legal uncertainties may place financial burdens on the businesses of our partner companies.

These risks are discussed in greater detail under the caption Risks Related to Our Partner Companies below.

The identity of our partner companies and the nature of our interests in them could vary widely from period to period.

As part of our strategy, we continually assess the value to our shareholders of our interests in our partner companies. We also regularly evaluate alternative uses for our capital resources. As a result, depending on market conditions, growth prospects and other key factors, we may at any time:

change the partner companies on which we focus;

sell some or all of our interests in any of our partner companies;

or otherwise change the nature of our interests in our partner companies. Therefore, the nature of our holdings could vary significantly from period to period.

Our consolidated financial results may also vary significantly based upon the partner companies that are included in our financial statements. For example:

For the twelve months ended December 31, 2006, we consolidated the results of operations of Acsis, Alliance Consulting, Clarient, Laureate Pharma and Pacific Title.

In October 2006, we completed the sale of Mantas and its results of operations for the periods prior to the sale are presented as discontinued operations in the consolidated financial statements.

Our partner companies currently provide us with little cash flow from their operations so we rely on cash on hand, liquidity events and our ability to generate cash from capital raising activities to finance our operations.

We need capital to acquire new partner companies and to fund the capital needs of our existing partner companies. We also need cash to service and repay our outstanding debt, finance our corporate overhead and meet our funding commitments to private equity funds. As a result, we have substantial cash requirements. Our partner companies currently provide us with little cash flow from their operations. To the extent our partner companies generate any cash from operations, they generally retain the funds to develop their own businesses. As a result, we must rely on cash on hand, liquidity events and new capital raising activities to meet our cash needs. If we are unable to find ways of monetizing our holdings or to raise additional capital on attractive terms, we may face liquidity issues that will require us to curtail our new business efforts, constrain our ability to execute our business strategy and limit our ability to provide financial support to our existing partner companies.

Fluctuations in the price of the common stock of our publicly-traded holdings may affect the price of our common stock.

Fluctuations in the market prices of the common stock of our publicly-traded holdings are likely to affect the price of our common stock. The market prices of our publicly-traded holdings have been highly volatile and subject to fluctuations unrelated or disproportionate to operating performance. For example, the aggregate market value of our holdings in Clarient (Nasdaq: CLRT) at December 31, 2006 was approximately $72.8 million, and at December 31, 2005 was approximately $44.8 million.

Intense competition from other acquirers of interests in companies could result in lower gains or possibly losses on our partner companies.

We face intense competition from other capital providers as we acquire and develop interests in our partner companies. Some of our competitors have more experience identifying and acquiring companies and have greater financial and management resources, brand name recognition or industry contacts than we have. Despite making most of our acquisitions at a stage when our partner companies are not publicly traded, we may still pay higher prices for those equity interests because of higher valuations of similar public companies and competition from other acquirers and capital providers, which could result in lower gains or possibly losses.

We may be unable to obtain maximum value for our holdings or sell our holdings on a timely basis.

We hold significant positions in our partner companies. Consequently, if we were to divest all or part of our holdings in a partner company, we may have to sell our interests at a relative discount to a price which may be received by a seller of a smaller portion. For partner companies with publicly traded stock, we may be unable to sell our holdings at then-quoted market prices. The trading volume and public float in the common stock of our publicly-traded partner companies are small relative to our holdings. As a result, any significant divestiture by us of our holdings in these partner companies would likely have a material adverse effect on the market price of their common stock and on our proceeds from such a divestiture. Additionally, we may not be able to take our partner companies public as a means of monetizing our position or creating shareholder value.

Registration and other requirements under applicable securities laws may adversely affect our ability to dispose of our holdings on a timely basis.

Our success is dependent on our executive management.

Our success is dependent on our executive management team s ability to execute our strategy. A loss of one or more of the members of our executive management team without adequate replacement could have a material adverse effect on us.

Our business strategy may not be successful if valuations in the market sectors in which our partner companies participate decline.

Our strategy involves creating value for our shareholders by helping our partner companies build value and, if appropriate, accessing the public and private capital markets. Therefore, our success is dependent on the value of our partner companies as determined by the public and private capital markets. Many factors, including reduced market interest, may cause the market value of our publicly traded partner companies to decline. If valuations in the market sectors in which our partner companies participate decline, their access to the public and private capital markets on terms acceptable to them may be limited.

Our partner companies could make business decisions that are not in our best interests or with which we do not agree, which could impair the value of our holdings.

Although we may seek a controlling equity interest and participation in the management of our partner companies, we may not be able to control the significant business decisions of our partner companies. We may have shared control or no control over some of our partner companies. In addition, although we currently own a controlling interest in some of our partner companies, we may not maintain this controlling interest. Acquisitions of interests in partner companies in which we share or have no control, and the dilution of our interests in or loss of control of partner companies, will involve additional risks that could cause the performance of our interests and our operating results to suffer, including:

- the management of a partner company having economic or business interests or objectives that are different than ours; and

- partner companies not taking our advice with respect to the financial or operating difficulties they may encounter.

Our inability to adequately control our partner companies also could prevent us from assisting them, financially or otherwise, or could prevent us from liquidating our interests in them at a time or at a price that is favorable to us. Additionally, our partner companies may not act in ways that are consistent with our business strategy. These factors could hamper our ability to maximize returns on our interests and cause us to recognize losses on our interests in these partner companies.

We may have to buy, sell or retain assets when we would otherwise not wish to do so in order to avoid registration under the Investment Company Act.

The Investment Company Act of 1940 regulates companies which are engaged primarily in the business of investing, reinvesting, owning, holding or trading in securities. Under the Investment Company Act, a company may be deemed to be an investment company if it owns investment securities with a value exceeding 40% of the value of its total assets (excluding government securities and cash items) on an unconsolidated basis, unless an exemption or safe harbor applies. We refer to this test as the 40% Test. Securities issued by companies other than majority-owned subsidiaries are generally considered investment securities for purpose of the Investment Company Act. We are a company that partners with growth-stage technology and life sciences companies to build value; we are not engaged primarily in the business of investing, reinvesting or trading in securities. We are in compliance with the 40% Test. Consequently, we do not believe that we are an investment company under the Investment Company Act.

We monitor our compliance with the 40% Test and seek to conduct our business activities to comply with this test. It is not feasible for us to be regulated as an investment company because the Investment Company Act rules are inconsistent with our strategy of actively helping our partner companies in their efforts to build value. In order to continue to comply with the 40% Test, we may need to take various actions which we would otherwise not pursue. For example, we may need to retain a majority interest in a partner company that we no longer consider strategic, we may not be able to acquire an interest in a company unless we are able to obtain majority ownership interest in the company, or we may be limited in the manner or timing in which we sell our interests in a partner company. Our ownership levels may also be affected if our partner companies are acquired by third parties or if our partner companies issue stock which dilutes our majority ownership. The actions we may need to take to address these issues while maintaining compliance with the 40% Test could adversely affect our ability to create and realize value at our partner companies.

Risks Related to Our Partner Companies

Most of our partner companies have a history of operating losses or limited operating history and may never be profitable.

Most of our partner companies have a history of operating losses or limited operating history, have significant historical losses and may never be profitable. Many have incurred substantial costs to develop and market their products, have incurred net losses and cannot fund their cash needs from operations. We expect that the operating expenses of certain of our partner companies will increase substantially in the foreseeable future as they continue to develop products and services, increase sales and marketing efforts and expand operations.

Our partner companies face intense competition, which could adversely affect their business, financial condition, results of operations and prospects for growth.

There is intense competition in the technology and life sciences marketplaces, and we expect competition to intensify in the future. Our business, financial condition, results of operations and prospects for growth will be materially adversely affected if our partner companies are not able to compete successfully. Many of the present and potential competitors may have greater financial, technical, marketing and other resources than those of our partner companies. This may place our partner companies at a disadvantage in responding to the offerings of their competitors, technological changes or changes in client requirements. Also, our partner companies may be at a competitive disadvantage because many of their competitors have greater name recognition, more extensive client bases and a broader range of product offerings. In addition, our partner companies may compete against one another.

Our partner companies may fail if they do not adapt to the rapidly changing technology and life sciences marketplaces.

If our partner companies fail to adapt to rapid changes in technology and customer and supplier demands, they may not become or remain profitable. There is no assurance that the products and services of our partner companies will achieve or maintain market penetration or commercial success, or that the businesses of our partner companies will be successful.

The technology and life sciences marketplaces are characterized by:

- rapidly changing technology;
- evolving industry standards;
- frequent new products and services;
- shifting distribution channels;
- evolving government regulation;
- frequently changing intellectual property landscapes; and

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- changing customer demands.

Our future success will depend on our partner companies ability to adapt to this rapidly evolving marketplace. They may not be able to adequately or economically adapt their products and services, develop new products and services or establish and maintain effective distribution channels for their products and services. If our partner companies are unable to offer competitive products and services or maintain effective distribution channels, they will sell fewer products and services and forego potential revenue, possibly causing them to lose money. In addition, we and our partner companies may not be able to respond to the rapid technology changes in an economically efficient manner, and our partner companies may become or remain unprofitable.

Many of our partner companies may grow rapidly and may be unable to manage their growth.

We expect some of our partner companies to grow rapidly. Rapid growth often places considerable operational, managerial and financial strain on a business. To successfully manage rapid growth, our partner companies must, among other things:

- rapidly improve, upgrade and expand their business infrastructures;
- scale-up production operations;
- develop appropriate financial reporting controls;
- attract and maintain qualified personnel; and
- maintain appropriate levels of liquidity.

If our partner companies are unable to manage their growth successfully, their ability to respond effectively to competition and to achieve or maintain profitability will be adversely affected.

Our partner companies may need to raise additional capital to fund their operations, which we may not be able to fund or which may not be available from third parties on acceptable terms, if at all.

Our partner companies may need to raise additional funds in the future and we cannot be certain that they will be able to obtain additional financing on favorable terms, if at all. Because our resources and our ability to raise capital are limited, we may not be able to provide our partner companies with sufficient capital resources to enable them to reach a cash flow positive position. If our partner companies need to, but are not able to raise capital from other outside sources, then they may need to cease or scale back operations.

Some of our partner companies may be unable to protect their proprietary rights and may infringe on the proprietary rights of others.

Our partner companies assert various forms of intellectual property protection. Intellectual property may constitute an important part of our partner companies assets and competitive strengths. Federal law, most typically, copyright, patent, trademark and trade secret laws, generally protects intellectual property rights. Although we expect that our partner companies will take reasonable efforts to protect the rights to their intellectual property, the complexity of international trade secret, copyright, trademark and patent law, coupled with the limited resources of these partner companies and the demands of quick delivery of products and services to market, create a risk that their efforts will prove inadequate to prevent misappropriation of our partner companies technology, or third parties may develop similar technology independently.

Some of our partner companies also license intellectual property from third parties and it is possible that they could become subject to infringement actions based upon their use of the intellectual property licensed from those third parties. Our partner companies generally obtain representations as to the origin and ownership of such licensed intellectual property; however, this may not adequately protect them. Any claims against our partner companies proprietary rights, with or without merit, could subject our partner companies to costly litigation and the diversion of their technical and management personnel from other business concerns. If our partner companies incur costly litigation and their personnel are not effectively deployed, the expenses and losses incurred by our partner companies will increase and their profits, if any, will decrease.

Third parties have and may assert infringement or other intellectual property claims against our partner companies based on their patents or other intellectual property claims. Even though we believe our partner companies products do not infringe any third party s patents, they may have to pay substantial damages, possibly including treble damages, if it is ultimately determined that they do. They may have to obtain a license to sell their products if it is determined that their products infringe another person s intellectual property. Our partner companies might be prohibited from selling their products before they obtain a license, which, if available at all, may require them to pay substantial royalties. Even if infringement claims against our partner companies are without merit, defending these types of lawsuits take significant time, may be expensive and may divert management attention from other business concerns.

Certain of our partner companies could face legal liabilities from claims made against their operations, products or work.

The manufacture and sale of certain of our partner companies products entails an inherent risk of product liability. Certain of our partner companies maintain product liability insurance. Although none of our partner companies to date have experienced any material losses, there can be no assurance that they will be able to maintain or acquire adequate product liability insurance in the future and any product liability claim could have a material adverse effect on our partner companies revenues and income. In addition, many of the engagements of our partner companies involve projects that are critical to the operation of their clients businesses. If our partner companies fail to meet their contractual obligations, they could be subject to legal liability, which could adversely affect their business, operating results and financial condition. The provisions our partner companies typically include in their contracts, which are designed to limit their exposure to legal claims relating to their services and the applications they develop, may not protect our partner companies or may not be enforceable. Also as consultants, some of our partner companies depend on their relationships with their clients and their reputation for high quality services and integrity to retain and attract clients. As a result, claims made against our partner companies work may damage their reputation, which in turn, could impact their ability to compete for new work and negatively impact their revenues and profitability.

Our partner companies success depends on their ability to attract and retain qualified personnel.

Our partner companies are dependent upon their ability to attract and retain senior management and key personnel, including trained technical and marketing personnel. Our partner companies will also need to continue to hire additional personnel as they expand. Some of our partner companies have employees represented by labor unions. Although these partner companies have not been the subject of a work stoppage, any future work stoppage could have a material adverse effect on their respective operations. A shortage in the availability of the requisite qualified personnel or work stoppage would limit the ability of our partner companies to grow, to increase sales of their existing products and services and to launch new products and services.

Government regulations and legal uncertainties may place financial burdens on the businesses of our partner companies.

Failure to comply with applicable requirements of the FDA or comparable regulation in foreign countries can result in fines, recall or seizure of products, total or partial suspension of production, withdrawal of existing product approvals or clearances, refusal to approve or clear new applications or notices and criminal prosecution. Manufacturers of pharmaceuticals and medical diagnostic devices and operators of laboratory facilities are subject to strict federal and state regulation regarding validation and the quality of manufacturing and laboratory facilities. Failure to comply with these quality regulation systems requirements could result in civil or criminal penalties or enforcement proceedings, including the recall of a product or a cease distribution order. The enactment of any additional laws or regulations that affect healthcare insurance policy and reimbursement (including Medicare reimbursement) could negatively affect our partner companies. If Medicare or private payors change the rates at which our partner companies or their customers are reimbursed by insurance providers for their products, such changes could adversely impact our partner companies.

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Some of our partner companies are subject to significant environmental, health and safety regulation.

Some of our partner companies are subject to licensing and regulation under federal, state and local laws and regulations relating to the protection of the environment and human health and safety, including laws and regulations relating to the handling, transportation and disposal of medical specimens, infectious and hazardous waste and radioactive materials as well as to the safety and health of manufacturing and laboratory employees. In addition, the federal Occupational Safety and Health Administration has established extensive requirements relating to workplace safety.

Item 2. *Properties*

Safeguard s corporate headquarters and administrative offices in Wayne, Pennsylvania contain approximately 31,000 square feet of office space in one building. In October 2002, Safeguard sold this facility along with the office park in which our corporate headquarters and administrative offices are located. Safeguard leased back its corporate headquarters for a seven-year term with one five-year renewal option.

Safeguard s consolidated partner companies lease various facilities throughout the United States and in certain non-U.S. locations. The physical properties occupied by each of our consolidated partner companies, under leases expiring between 2007 and 2015, are summarized below:

Company	Locations	Use	Approximate Square Footage
Acsis	New Jersey and Germany	Office/Sales/Development	39,000
Alliance Consulting	Pennsylvania and other locations in the U.S. and India (11 facilities)	Office/Sales/Development	83,000
Clarient	California	Office/Manufacturing/Laboratory Services	78,000
Pacific Title	California (two facilities)	Office/Production	37,000
Laureate Pharma	New Jersey	Office/Manufacturing	58,000

We believe that all of the existing facilities are suitable and adequate to meet the current needs of our respective partner companies. If new or additional space is needed, we believe each of our partner companies can readily obtain suitable replacement properties to support their needs on commercially reasonable terms. However, we note that Clarient s and Laureate Pharma s facilities are operated under and subject to various federal, state and local permits, rules and regulations. As a result, any extended interruption in the availability of these facilities could have a material adverse effect on the results of operations of the respective companies.

Item 3. *Legal Proceedings*

We, as well as our partner companies, are involved in various claims and legal actions arising in the ordinary course of business. While in the current opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our consolidated financial position or results of operations, no assurance can be given as to the outcome of these lawsuits, and one or more adverse rulings could have a material adverse effect on our consolidated financial position and results of operations, or that of our partner companies.

Item 4. *Submission of Matters to a Vote of Security Holders*

No matter was submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the fourth quarter of 2006.

ANNEX TO PART I EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	Position	Executive Officer Since
Peter J. Boni	61	President, Chief Executive Officer and Director	2005
James A. Datin	44	Executive Vice President and Managing Director, Life Sciences	2005
John A. Loftus	45	Executive Vice President and Managing Director, Technology	2004
Steven J. Feder	43	Senior Vice President and General Counsel	2004
Stephen T. Zarrilli	45	Acting Senior Vice President, Acting Chief Administrative Officer and Acting Chief Financial Officer	2006

Mr. Boni joined Safeguard as President and Chief Executive Officer in August 2005. Prior to joining Safeguard, Mr. Boni was an Operating Partner for Advent International, a global private equity firm with $10 billion under management, from April 2004 to August 2005; Chairman and Chief Executive Officer of Surebridge, Inc., an applications outsourcer serving the mid-market, from March 2002 to April 2004; Managing Principal of Vested Interest LLC, a management consulting firm, from January 2001 to March 2002; and President and Chief Executive Officer of Prime Response, Inc., an enterprise applications software provider, from February 1999 to January 2001. Mr. Boni is currently non-executive Chairman of Intralinks, Inc. and a director of Clarient, Inc.

Mr. Datin joined Safeguard as Executive Vice President and Managing Director, Life Sciences in September 2005. Mr. Datin served as Chief Executive Officer of Touchpoint Solutions, Inc., a provider of software that enables customers to develop and deploy applications, content and media on multi-user interactive devices, from December 2004 to June 2005; Group President in 2004, and as Group President, International, from 2001 to 2003, of Dendrite International, a provider of sales, marketing, clinical and compliance solutions and services to global pharmaceutical and other life sciences companies; and Group Director, Corporate Business Strategy and Planning at GlaxoSmithKline, from 1999 to 2001, where he also was a member of the company s Predictive Medicine Board of Directors that evaluated acquisitions and alliances. His prior experience also includes international assignments with and identifying strategic growth opportunities for E Merck and Baxter. Mr. Datin is a director of Intralinks, Inc. and Clarient, Inc.

Mr. Loftus joined Safeguard in May 2002, became Senior Vice President and Chief Technology Officer in December 2003 and Executive Vice President and Managing Director, Technology Group in September 2005. Mr. Loftus is a founder of Gestalt LLC where he served as Chief Technology Officer from September 2001 to May 2002. Mr. Loftus served as Senior Vice President, e-Solutions (and in other executive roles) at Breakaway Solutions from May 1999 until August 2001 (Breakaway Solutions filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code in September 2001); and served as Senior Vice President and Chief Technology Officer of WPL Laboratories from February 1997 to May 1999. Mr. Loftus spent the first 14 years of his career in a variety of executive, management, and engineering positions at GE and PECO Energy.

Mr. Feder joined Safeguard in November 2004 as Senior Vice President and General Counsel. Prior to joining Safeguard, Mr. Feder was a partner with the law firm of Pepper Hamilton LLP in its Berwyn, Pennsylvania office from May 2000 to November 2004. He was a partner from March 1998 to May 2000 at the law firm of White and Williams LLP in Philadelphia, Pennsylvania and a senior associate from July 1995 to March 1998 at the law firm of Ballard Spahr Andrews and Ingersoll in Philadelphia, Pennsylvania. From 1990 to June 1995, Mr. Feder was corporate counsel for MEDIQ Incorporated, formerly an AMEX-listed diversified healthcare company. Mr. Feder is a director of Clarient, Inc.

Mr. Zarrilli entered into a consulting agreement with Safeguard in December 2006 pursuant to which he commenced service as Acting Senior Vice President, Acting Chief Administrative Officer and Acting Chief Financial

Officer. Mr. Zarrilli is a Managing Partner of the Penn Valley Group, a middle-market management advisory and private equity firm which he co-founded in October 2004. Previously, Mr. Zarrilli served as the Chief Financial Officer from August 2001 to December 2004 of Fiberlink Communications Corporation, a provider of remote access VPN solutions for large enterprises; as the Chief Executive Officer from October 2000 to August 2001 of Concellera Software, Inc., a developer of content management software; as the Chief Executive Officer from January 1999 to September 2000 and Chief Financial Officer from July 1994 to December 1998 of US Interactive, Inc., a provider of internet strategy consulting, marketing and technology services; and, previously, with Deloitte & Touche from 1983 to 1994. Mr. Zarrilli is a director and Chairman of the Audit Committee of NutriSystem, Inc.

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PART II.

Item 5. ***Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Safeguard s common stock is listed on the New York Stock Exchange (Symbol: SFE). The high and low sale prices reported within each quarter of 2006 and 2005 are as follows:

	High	Low
Fiscal year 2006:		
First quarter	$2.57	$1.77
Second quarter	2.90	1.91
Third quarter	2.30	1.71
Fourth quarter	2.55	1.92
Fiscal year 2005:		
First quarter	$2.17	$1.36
Second quarter	1.58	0.98
Third quarter	1.85	1.21
Fourth quarter	2.05	1.31

The high and low sale prices reported in the first quarter of 2007 through March 22, 2007 were $3.15 and $2.31, respectively, and the last sale price reported on March 22, 2007, was $3.02. No cash dividends have been declared in any of the years presented, and Safeguard has no present intention to declare cash dividends.

As of March 22, 2007, there were approximately 44,000 beneficial holders of Safeguard s common stock.

The following graph compares the cumulative total return on $100 invested in our common stock for the period from December 31, 2001 through December 31, 2006 with the cumulative total return on $100 invested for the same period in the Russell 2000 Index and the Dow Jones Wilshire 4500 Index. In light of the diverse nature of Safeguard s business and based on our assessment of available published industry or line-of-business indices, we determined that no single industry or line-of-business index would provide a meaningful comparison to Safeguard. Further, we did not believe that we could readily identify an appropriate group of industry peer companies for this comparison. Accordingly, under SEC rules, we selected the Dow Jones Wilshire 4500 Index, a published market index in which the median market capitalization of the included companies is similar to our own. Safeguard s common stock is included as a component of the Russell 2000 and Dow Jones Wilshire 4500 indices.

Comparison of Cumulative Total Returns

Assumes reinvestment of dividends. We have not distributed cash dividends during this period.

Assumes an investment of $100 on December 31, 2001.

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Item 6. *Selected Consolidated Financial Data*

The following table sets forth our selected consolidated financial information for the five-year period ended December 31, 2006. The selected consolidated financial data presented below should be read in conjunction with Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and Item 8. Consolidated Financial Statements and Notes thereto included in this report. The historical results presented herein may not be indicative of future results. As a result of the sale of Mantas in October 2006, Mantas operating results are included in discontinued operations for all periods presented. Alliance Consulting sold its Southwest region business in July 2006; as a result the operations of the Southwest region are included in discontinued operations for all periods presented. As a result of the sale of Laureate Pharma s Totowa, New Jersey facility in December 2005, the operating results related to its Totowa facility are included in discontinued operations in 2005. As a result of the sale of CompuCom on October 1, 2004, the operating results of CompuCom are included in discontinued operations for 2002 through 2004.

			December 31,		
	2006	**2005**	**2004**	**2003**	**2002**
			(In thousands)		
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 71,251	$124,916	$143,398	$129,676	$117,326
Short-term investments	94,155	31,770	33,555	7,081	9,986
Restricted cash		1,098	1,069	1,019	3,634
Working capital of continuing operations	136,894	145,996	172,737	133,332	121,935
Cash held in escrow	19,630				
Total assets of continuing operations	443,381	375,344	399,616	329,696	381,565
Long-term debt, net of current portion	3,095	3,041	7,852	2,118	932
Capital leases, net of current portion	1,972	2,129	1,858	409	652
Other long-term liabilities	10,918	14,013	11,785	13,152	14,018
Convertible subordinated notes				200,000	200,000
Convertible senior debentures-non-current	129,000	145,000	150,000		
Total shareholders equity	211,881	164,975	201,230	236,171	272,287

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Consolidated Statements of Operations Data

	Year Ended December 31, 2006	2005	2004	2003	2002		
	(In thousands except per share amounts)						
Revenue:							
Product sales	$ 10,668	$ 5,898	$ 2,211	$ 9,134	$ 19,298		
Service sales	187,392	137,933	107,143	122,170	86,786		
Total revenue	198,060	143,831	109,354	131,304	106,084		
Operating Expenses:							
Cost of sales product	7,556	1,921	2,532	10,349	7,005		
Cost of sales service	134,834	103,260	74,882	72,824	40,979		
Selling, general and administrative	99,962	74,178	73,053	73,197	94,976		
Research and development	6,977	3,794	4,699	6,570	11,041		
Purchased in-process research and development		2,183	89	265	1,129		
Amortization of intangibles	3,413	2,367	2,192	1,976	1,085		
Goodwill impairment				15,968	6,575		
Total operating expenses	252,742	187,703	157,447	181,149	162,790		
Operating loss	(54,682)	(43,872)	(48,093)	(49,845)	(56,706)		
Other income (loss), net	5,573	7,338	38,803	48,838	(5,241)		
Recovery (impairment) related party	360	28	(3,400)	(659)	(11,434)		
Interest income	6,914	4,984	2,612	2,165	6,313		
Interest expense	(6,821)	(6,428)	(9,585)	(11,853)	(21,594)		
Equity loss	(3,267)	(6,597)	(14,534)	(17,179)	(51,004)		
Minority interest	7,120	6,356	8,736	3,216	6,389		
Net loss from continuing operations before income taxes and change in accounting principle	(44,803)	(38,191)	(25,461)	(25,317)	(133,277)		
Income tax benefit (expense)	1,023	83	120	(209)	(46)		
	Net sales						
Industrial Packaging	$ 1,993.0	$ 2,653.6	$ 3,061.1	$ 2,271.7	$ 1,650.8	$ 852.4	$ 594.2
Paper Packaging	620.3	653.7	696.9	509.8	368.6	177.6	120.2
Timber	15.1	14.9	18.8	16.9	12.3	4.1	3.2

Total net sales	$ 2,628.4	$ 3,322.2	$ 3,776.8	$ 2,798.4	$ 2,031.7	$ 1,034.1	$ 717.6
Operating Profit							
Operating profit before the impact of restructuring charges, restructuring-related inventory charges and timberland disposals, net:							
Industrial Packaging	$ 167.5	$ 229.4	$ 315.2	$ 235.3	$ 132.3	$ 92.9	$ 69.3
Paper Packaging	60.0	67.7	77.4	47.3	43.4	12.8	7.7
Timber	10.6	14.4	20.6	18.5	9.9	2.0	4.3
Total operating profit before the impact of restructuring charges, restructuring-related inventory charges and timberland disposals, net	238.1	311.5	413.2	301.1	185.6	107.7	81.3
Restructuring charges:							
Industrial Packaging	24.0	16.0	34.0	21.0	54.8	4.8	10.0
Paper Packaging	9.2	5.2	9.1	3.3	2.8	1.8	0.3
Timber			0.1	0.1	0.1		
Total restructuring charges	33.2	21.2	43.2	24.4	57.7	6.6	10.3
Restructuring-related inventory charges:							
Industrial Packaging					10.1		0.8
Timberland disposals, net:							
Timber	41.3	(0.7)	0.3	0.3		0.2	
Operating profit:							
Industrial Packaging	143.5	213.4	281.2	$ 214.3	$ 67.4	$ 88.1	$ 58.5
Paper Packaging	50.8	62.5	68.3	44.0	40.6	11.0	7.4
Timber	51.9	13.7	20.8	18.7	9.8	2.2	4.3
Total operating profit	$ 246.2	$ 289.6	$ 370.3	$ 277.0	$ 117.8	$ 101.3	$ 70.2

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Third Quarter 2009 Compared to Third Quarter 2008

Overview

Net sales decreased 31 percent (24 percent excluding the impact of foreign currency translation) to $717.6 million in the third quarter of 2009 compared to a record $1,034.1 million in the third quarter of 2008. The $316.5 million decline was due to lower sales in Industrial Packaging ($258.2 million), Paper Packaging ($57.4 million) and Timber ($0.9 million). The 24 percent constant-currency decrease was due to lower sales volumes and lower selling prices due to the pass-through of lower raw material costs.

Operating profit was $70.2 million and $101.3 million in the third quarter of 2009 and 2008, respectively. Operating profit before the impact of restructuring charges, restructuring-related inventory charges and timberland disposals, net, was $81.3 million for the third quarter of 2009 compared to $107.7 million for the third quarter of 2008. The lower operating results for Industrial Packaging ($23.6 million) and Paper Packaging ($5.1 million), as compared to the same period last year, were due to lower sales volumes and lower prices, significantly offset by cost reductions achieved under incremental Greif Business System and accelerated Greif Business System initiatives and specific contingency actions. Timber operating profit improved by $2.3 million as a result of a single special use property sale in the third quarter of 2009.

Segment Review

Industrial Packaging

Our Industrial Packaging segment offers a comprehensive line of industrial packaging products, such as steel, fibre and plastic drums, intermediate bulk containers, closure systems for industrial packaging products, transit protection products, polycarbonate water bottles, and services, such as blending, filling and other packaging services, logistics and warehousing. The key factors influencing profitability in the Industrial Packaging segment are:

- Selling prices, customer demand and sales volumes;
- Raw material costs, primarily steel, resin and containerboard;
- Energy and transportation costs;
- Benefits from executing the Greif Business System;
- Restructuring charges;
- Contributions from recent acquisitions;
- Divestiture of business units; and
- Impact of foreign currency translation.

In this segment, net sales decreased 30 percent (22 percent excluding the impact of foreign currency translation) to $594.2 million in the third quarter of 2009 from $852.4 million in the third quarter of 2008. The 22 percent constant-currency decrease was due to lower sales volumes and lower selling prices.

Gross profit margin for the Industrial Packaging segment was 20.7 percent in the third quarter of 2009 versus 19.8 percent in the third quarter of 2008 due to lower input costs.

Operating profit was $58.5 million in the third quarter of 2009 compared to operating profit of $88.1 million in the third quarter of 2008. Operating profit before the impact of restructuring charges and restructuring related inventory charges decreased to $69.3 million in the third quarter of 2009 from $92.9 million in the third quarter of 2008. The $23.6 million decrease was due to lower net sales, partially offset by lower raw material costs. Labor, transportation and energy costs were also lower as compared to the same quarter last year. This segment continues to benefit from Greif Business System and specific contingency initiatives.

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Paper Packaging

Our Paper Packaging segment sells containerboard, corrugated sheets, corrugated containers and multiwall bags in North America. The key factors influencing profitability in the Paper Packaging segment are:

Selling prices, customer demand and sales volumes;

Raw material costs, primarily old corrugated containers;

Energy and transportation costs;

Benefits from executing the Greif Business System; and

Restructuring charges.

In this segment, net sales were $120.2 million in the third quarter of 2009 compared to $177.6 million in the third quarter of 2008. This decrease was primarily due to lower sales volumes and lower container board selling prices compared to the same quarter of the previous year.

The Paper Packaging segment s gross profit margin increased to 15.0 percent in the third quarter of 2009 compared to 12.9 percent in the third quarter of 2008 due to higher selling prices and lower input costs.

Operating profit was $7.4 million and $11.0 million in the third quarter of 2009 and 2008, respectively. Operating profit before the impact of restructuring charges decreased to $7.7 million in the third quarter of 2009 from $12.8 million in the third quarter of 2008. The $5.1 million decrease was primarily due to lower net sales, partially offset by lower raw material costs, especially for old corrugated containers. In addition, labor, transportation and energy costs were lower as compared to the same quarter of the previous year. This segment continues to benefit from Greif Business System and specific contingency initiatives.

Timber

As of July 31, 2009, our Timber segment consists of approximately 267,150 acres of timber properties in the southeastern United States, which are actively harvested and regenerated, and approximately 27,400 acres in Canada. The key factors influencing profitability in the Timber segment are:

Planned level of timber sales;

Selling prices and customer demand

Gains (losses) on sale of timberland; and

Gains on the sale of special use properties (surplus, HBU, and development properties).

Net sales were $3.2 million and $4.1 million in the third quarter of 2009 and 2008, respectively.

Operating profit was $4.3 million and $2.2 million in the third quarter of 2009 and 2008, respectively. Operating profit before the impact of restructuring charges and timberland disposals, net, was $4.3 million in the third quarter of 2009 compared to $2.0 million in the third quarter of 2008. Included in these amounts were operating profits from the sale of special use properties (e.g., surplus, higher and better use, and development properties) of $3.9 million, including $3.5 million from a single property sale, in the third quarter of 2009 and $0.9 million in the third quarter of 2008.

Other Income Statement Changes

Cost of Products Sold

The cost of products sold, as a percentage of net sales, was 80.1 percent for the third quarter of 2009 versus 81.3 percent for the third quarter of 2008. The lower cost of products sold was primarily due to the Greif Business System and specific contingency initiatives, lower raw material cost and related last-in, first-out (LIFO) benefits.

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Selling, General and Administrative (SG&A   ) Expenses

SG&A expenses were $67.4 million, or 9.4 percent of net sales, in the third quarter of 2009 compared to $88.1 million, or 8.5 percent of net sales, in the third quarter of 2008. The decrease in SG&A expenses was primarily due to the implementation of incremental and accelerated Greif Business System initiatives and specific contingency actions and the impact of foreign currency translation.

Restructuring Charges

The focus of the 2009 restructuring activities is on business realignment due to the economic downturn and further implementation of the Greif Business System. During the third quarter of 2009, we recorded restructuring charges of $10.3 million, consisting of $4.7 million in employee separation costs, $1.7 million in asset impairments and $3.8 million in other costs. In addition, during the third quarter of 2009, we recorded $0.8 million of restructuring-related inventory charges as a cost of products sold in our Industrial Packaging segment related to excess inventory adjustment primarily at a closed facility in North America.

In 2008, our restructuring charges were primarily related to integration of acquisitions in the Industrial Packaging segment and alignment of the market-focused strategy and implementation of the Greif Business System in the Paper Packaging segment. During the third quarter of 2008, we recorded restructuring charges of $6.6 million, consisting of $4.2 million in employee separation costs and $2.4 million in other costs.

See the notes to our consolidated financial statements which are incorporated by reference into this prospectus for additional disclosures regarding these restructuring activities.

Timberland Disposals, Net

During the third quarter of 2009, we recorded no net gain on sale of timber property compared with a $0.2 million net gain on sale of timberland properties in the third quarter of 2008.

Gain on Disposal of Properties, Plants and Equipment, Net

During the third quarter of 2009, we recorded a gain on disposal of properties, plants and equipment, net of $5.3 million, primarily consisting of a $1.4 million gain on the sale of a property in North America and a $3.9 million gain on the sale of special use timber properties. During the third quarter of 2008, we recorded a gain on disposal of properties, plants and equipment, net of $2.9 million, primarily from gain from the sale of properties at a North American Paper Packaging facility of $1.7 million and the gain on the sale of special use timber properties of $0.9 million.

Interest Expense, Net

Interest expense, net was $12.1 million and $13.1 million for the third quarter of 2009 and 2008, respectively. The decrease in interest expense, net was primarily attributable to lower average debt outstanding and lower interest rates.

Other Income (Expense), Net

Other expense, net was $4.2 million and $2.1 million for the third quarter of 2009 and 2008, respectively. The increase in other expense, net was primarily due to foreign exchange losses.

Income Tax Expense

The effective tax rate was 23.6 percent and 23.3 percent in the third quarter of 2009 and 2008, respectively. The slightly higher effective tax rate resulted from an increase in the proportion of earnings in the United States relative to outside the United States in the 2009 compared to the same period last year and alternative fuel credit benefits of approximately $3.5 million.

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Equity in Earnings (Losses) of Affiliates and Minority Interests

During the third quarter of 2009 and 2008, respectively, we recorded a loss of $1.4 million on equity in earnings (losses) of affiliates and minority interests. We have minority interests in various companies, and our minority interests in the respective net income of these companies have been recorded as an expense. These expenses were partially offset by the equity earnings of our unconsolidated affiliates.

Net Income

Based on the foregoing, we recorded net income of $39.7 million for the third quarter of 2009 compared to $64.6 million in the third quarter of 2008.

First Nine Months of 2009 Compared to First Nine Months of 2008

Overview

Net sales decreased 27 percent (20 percent excluding the impact of foreign currency translation) to $2,031.7 million in the first nine months of 2009 compared to $2,798.4 million in the first nine months of 2008. The $766.7 million decrease is due to Industrial Packaging ($620.9 million), Paper Packaging ($141.2 million) and Timber ($4.6 million). The 20 percent constant-currency decrease was due to lower sales volumes across all product lines.

Operating profit was $117.8 million and $277.0 million in the first nine months of 2009 and 2008, respectively. Operating profit before the impact of restructuring charges, restructuring-related inventory charges, and timberland disposals, net was $185.6 million for the first nine months of 2009 compared to $301.1 million for the first nine months of 2008. The $115.5 million decrease was principally due to lower operating profit in Industrial Packaging ($103.0 million), Paper Packaging ($3.9 million), and Timber ($8.6 million). This decrease was attributable to lowers sales volumes and lower prices, significantly offset by cost reductions achieved under the incremental Greif Business System and accelerated Greif Business System initiatives and specific contingency actions.

Segment Review

Industrial Packaging

Our Industrial Packaging segment offers a comprehensive line of industrial packaging products and services, such as steel, fibre and plastic drums, intermediate bulk containers, closure systems for industrial packaging products, transit protection products, polycarbonate water bottles, blending, filling and other packaging services, logistics and warehousing. The key factors influencing profitability in the Industrial Packaging segment are:

- Selling prices and sales volumes;
- Raw material costs, primarily steel, resin and containerboard;
- Energy and transportation costs;
- Benefits from executing the Greif Business System;
- Contributions from recent acquisitions;
- Divestiture of business units; and

Impact of foreign currency translation.

In this segment, net sales decreased to $1,650.8 million in the first nine months of 2009 compared to $2,271.7 million in the first nine months of 2008 a decrease of 27 percent excluding the impact of foreign currency translation. The decrease in net sales was primarily attributable to the lower sales volumes in most of the industrial packaging businesses.

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Industrial Packaging segment s gross profit margin was 16.8 percent in the first nine months of 2009 compared to 18.3 percent for the first nine months of 2008. The decrease is primarily due to lower net sales, partially offset by lower raw material costs. Labor, transportation and energy costs were also lower as compared to the same quarter last year. This segment continues to benefit from Greif Business System and specific contingency initiatives.

Operating profit was $67.4 million in the first nine months of 2009 compared to $214.3 million in the first nine months of 2008. Operating profit before the impact of restructuring charges and restructuring-related inventory charges decreased to $132.3 million in the first nine months of 2009 compared to $235.3 million in the first nine months of 2008. The decrease in operating profit included $54.8 million of restructuring charges and $10.1 million of restructuring-related inventory charges. In addition in 2008, there was a $29.9 million pre-tax net gain on the divestiture of business units in Australia and Zimbabwe.

Paper Packaging

Our Paper Packaging segment sells containerboard, corrugated sheets, corrugated containers and multiwall bags in North America. The key factors influencing profitability in the Paper Packaging segment are:

- Selling prices and sales volumes;
- Raw material costs, primarily old corrugated containers;
- Energy and transportation costs;
- Benefits from executing the Greif Business System; and
- Restructuring charges.

In this segment, net sales were $368.6 million in the first nine months of 2009 compared to $509.8 million in the first nine months of 2008. The decrease in net sales was principally due to downward pressure on prices across all products and lower sales volumes.

The Paper Packaging segment s gross profit margin was 20.0 percent in the first nine months of 2009 compared to 15.2 percent for the first nine months of 2008 due to higher selling prices and lower input costs.

Operating Profit was $40.6 million and $44.0 million in the first nine months of 2009 and 2008, respectively. Operating profit before the impact of restructuring charges increased to $43.4 million in the first nine months of 2009 compared to $47.3 million in the first nine months of 2008. The decrease in operating profit was primarily due to lower net sales, partially offset by lower raw material costs, especially for old corrugated containers. In addition, labor, transportation and energy costs were lower as compared to the same period of the previous year. This segment continues to benefit from Greif Business System and specific contingency initiatives.

Timber

Our Timber segment consists of approximately 267,150 acres of timber properties in the southeastern United States, which are actively harvested and regenerated, and approximately 27,400 acres in Canada. The key factors influencing profitability in the Timber segment are:

- Planned level of timber sales;

Selling prices and customer demand;

Gains (losses) on sale of timberland; and

Sale of special use properties (surplus, HBU, and development properties).

Net sales were $12.3 million in the first nine months of 2009 and $16.9 million in the first nine months of 2008.

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Operating profit was $9.8 million and $18.7 million in the first nine months of 2009 and 2008, respectively. Operating profit before the impact of restructuring charges and timberland disposals, net was $9.9 million in the first nine months of 2009 compared to $18.5 million in the first nine months of 2008. Included in these amounts were profits from the sale of special use properties of $5.4 million in the first nine months of 2009 and $14.2 million in the first nine months of 2008.

Other Income Statement Changes

Cost of Products Sold

The cost of products sold, as a percentage of net sales, was 82.4 percent for the first nine months of 2009 compared to 82.1 percent in first nine months of 2008. A $6.1 million lower-of-cost or market inventory adjustments in Asia and $10.1 million restructuring-related inventory charge primarily related to two closed plants in Asia were the primary reasons for the increase in cost of products sold, which were offset by lower raw material costs and related LIFO benefits, contributions from further execution of incremental and accelerated Greif Business System initiatives.

SG&A Expenses

SG&A expenses were $191.5 million, or 9.4 percent of net sales, in the first nine months of 2009 compared to $252.0 million, or 9.0 percent of net sales, in the first nine months of 2008. The dollar decrease in SG&A expense was primarily due to tighter controls over SG&A expenses, reduction in administrative personnel as a result of incremental and accelerated Greif Business System initiatives, specific contingency actions, lower reserves for incentive compensation and the impact of foreign currency translation.

Restructuring Charges

During the first nine months of 2009, we recorded restructuring charges of $57.7 million, consisting of $29.8 million in employee separation costs, $13.3 million in asset impairments and $14.6 million in other costs. The focus of the 2009 restructuring activities is on business realignment due to the economic downturn and further implementation of the Greif Business System. In addition, during the first nine-months of 2009, we recorded $10.1 million of restructuring-related inventory charges as a cost of products sold in our Industrial Packaging segment related to excess inventory adjustments at primarily two closed facilities in Asia and one in North America.

During the first nine months of 2008, we recorded restructuring charges of $24.4 million, consisting of $9.4 million in employee separation costs, $9.4 million in asset impairments and $5.6 million in other costs. The focus of the 2008 restructuring activities was on integration of acquisitions in the Industrial Packaging segment and alignment of the market-focused strategy and implementation of the Greif Business System in the Paper Packaging segment.

See the notes to our consolidated financial statements which are incorporated by reference into this prospectus for additional disclosures regarding these restructuring activities.

Timberland Disposals, Net

During the first nine months of 2009, we recorded no net gain on sale of timber property compared to a net gain of $0.3 million in the first nine months of 2008.

Gain on Disposal of Properties, Plants, and Equipment, Net

During the first nine months of 2009, we recorded a gain on disposal of properties, plants and equipment, net of $9.8 million, primarily consisting of a $1.4 million gain on the sale a property in North America and $5.3 million gain from the sale of timber special use properties. During the first nine months of 2008, gain on disposals of properties, plants and equipment, net was $52.7 million, primarily consisting of a $29.9 million pre-tax net gain on divestiture of business units in Australia and the controlling interest in Zimbabwe, and $12.7 million in net gains from the sale of timber special use properties.

Interest Expense, Net

Interest expense, net was $37.7 million and $38.2 million for the first nine months of 2009 and 2008, respectively. The slight decrease in interest expense, net was primarily attributable to lower interest rates partially offset by higher average debt outstanding.

Debt Extinguishment Charge

In the first nine months of 2009, we entered into a new $700 million senior secured credit facilities. The new facilities replaced an existing $450 million revolving credit facility that was scheduled to mature in March 2010. As a result of this transaction, a debt extinguishment charge of $0.8 million in non-cash items, such as write-off of unamortized capitalized debt issuance costs was recorded.

Other Expense, Net

Other expense, net was $4.1 million and $9.2 million for the first nine months of 2009 and 2008, respectively. The decrease in other expense, net was primarily due to foreign exchange gains of $0.8 million in 2009 versus losses of $2.7 million in 2008. The remaining difference is primarily due to lower fees related to trade receivables financing facilities.

Income Tax Expense

The effective tax rate was 26.1 percent and 23.3 percent in the first nine months of 2009 and 2008, respectively. The higher effective tax rate resulted from an increase in the proportion of earnings in the United States relative to outside the United States in the first nine months 2009 compared to the same period last year and alternative fuel credit benefits of approximately $3.5 million.

Equity Earnings and Minority Interests

Equity earnings of affiliates and minority interests were a loss of $2.4 million and $2.1 million for the first nine months of 2009 and 2008, respectively. We have minority interests in various companies, and our minority interests in the respective net income of these companies have been recorded as an expense. These expenses were partially offset by the equity earnings of our unconsolidated affiliates.

Net Income

Based on the foregoing, we recorded net income of $53.1 million for the first nine months of 2009 compared to $173.9 million in the first nine months of 2008.

Year 2008 Compared to Year 2007

Overview

Net sales increased 14 percent (10 percent excluding the impact of foreign currency translation) to $3,776.8 million in 2008 compared to $3,322.3 million in 2007. The $454.5 million increase was due to Industrial Packaging ($407.4 million), Paper Packaging ($43.2 million) and Timber ($3.9 million). Strong organic sales growth for industrial packaging products and higher selling prices, principally in response to higher raw material costs, drove the 10 percent constant-currency increase.

Operating profit was $370.3 million and $289.6 million in 2008 and 2007, respectively. Operating profit before the impact of restructuring charges and timberland disposals, net was $413.1 million for 2008 compared to $311.5 million for 2007. The $101.6 million increase was principally due to higher operating profit in Industrial Packaging ($85.7 million), Paper Packaging ($9.7 million) and Timber ($6.2 million). Operating profit, expressed as a percentage of net sales, increased to 9.8 percent for 2008 from 8.7 percent in 2007. Operating profit before restructuring charges and the impact of timberland disposals, net, expressed as a percentage of net sales, increased to 10.9 percent for 2008 from 9.4 percent in 2007.

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Segment Review

Industrial Packaging

Our Industrial Packaging segment offers a comprehensive line of industrial packaging products and services, such as steel, fibre and plastic drums, intermediate bulk containers, closure systems for industrial packaging products, transit protection products and polycarbonate water bottles, and services, such as blending, filling and other packaging services, logistics and warehousing. In 2008, the key factors influencing profitability in the Industrial Packaging segment were:

- Selling prices, customer demand and sales volumes;
- Raw material costs, primarily steel, resin and containerboard;
- Energy and transportation costs;
- Benefits from executing the Greif Business System;
- Restructuring charges;
- Contributions from recent acquisitions;
- Divestiture of business units; and
- Impact of foreign currency translation.

In this segment, net sales increased 15 percent to $3,061.1 million in 2008 compared to $2,653.6 million in 2007, an increase of 10 percent excluding the impact of foreign currency translation. Higher sales volumes across all regions, with particular strength in emerging markets, in addition to higher selling prices in response to higher raw material costs, continued to drive the segment s organic growth.

Gross profit margin for the Industrial Packaging segment was 18.5 percent in 2008 compared to 18.3 percent in 2007, primarily due to the continued implementation of the Greif Business System (lower labor, transportation and other manufacturing costs).

Operating profit was $281.2 million in 2008 compared to $213.4 million in 2007. Operating profit before the impact of restructuring charges increased to $315.2 million in 2008 compared to $229.4 million in 2007. The increase in operating profit was primarily due to improvement in sales volumes, higher selling prices and contributions from the Greif Business System, which were partially offset by higher input costs.

Paper Packaging

Our Paper Packaging segment sells containerboard, corrugated sheets, corrugated containers and multiwall bags in North America. In 2008, the key factors influencing profitability in the Paper Packaging segment were:

- Selling prices, customer demand and sales volumes;
- Raw material costs, primarily old corrugated containers;

Energy and transportation costs;

Benefits from executing the Greif Business System; and

Restructuring charges.

In this segment, net sales were $696.9 million in 2008 compared to $653.7 million in 2007. The increase in net sales was principally due to higher selling prices, including a containerboard price increase implemented in the fourth quarter of 2007, and the realization of a containerboard price increase implemented in the fourth quarter of 2008.

Gross profit margin for the Paper Packaging segment was 17.1 percent in 2008 compared to 17.4 percent in 2007. This decrease was primarily due to higher input costs, including energy and transportation, partially offset by higher selling prices from the containerboard increase implemented in the fourth quarter of 2007 and the partial realization of an increase implemented in the fourth quarter of 2008.

Operating Profit was $68.3 million and $62.5 million in 2008 and 2007, respectively. Operating profit before the impact of restructuring charges increased to $77.4 million in 2008 compared to $67.7 million in 2007. The increase was primarily due to higher selling prices from containerboard increases, partially offset by higher input costs, including increased energy costs and increased transportation costs.

Timber

As of October 31, 2008, our Timber segment consists of approximately 268,700 acres of timber properties in the southeastern United States, which are actively harvested and regenerated, and approximately 27,450 acres in Canada. In 2008, the key factors influencing profitability in the Timber segment were:

- Planned level of timber sales;
- Selling prices and customer demand
- Gains (losses) on sale of timberland; and
- Sale of special use properties (surplus, HBU, and development properties).

Net sales were $18.8 million in 2008 compared to and $14.9 million in 2007. While timber sales are subject to fluctuations, we seek to maintain a consistent cutting schedule, within the limits of market and weather conditions.

Operating profit was $20.8 million and $13.7 million in 2008 and 2007, respectively. Operating profit before the impact of restructuring charges and timberland disposals, net was $20.6 million in 2008 compared to $14.4 million in 2007. Included in these amounts were profits from the sale of special use properties of $16.8 million in 2008 and $9.5 million in 2007.

At October 31, 2008, we estimated that there were approximately 61,600 acres in Canada and the United States of special use property, which will be available for sale in the next five to seven years.

Other Income Statement Changes

Cost of Products Sold

Cost of products sold, as a percentage of net sales, decreased to 81.7 percent in 2008 from 81.8 percent in 2007. Cost of products sold, as a percentage of net sales, primarily decreased as a result of the improvement in net sales and positive contributions from the Greif Business System. These positive factors were partially offset by higher raw material, transportation and energy costs compared to 2007.

SG&A Expenses

SG&A expenses were $339.2 million, or 9.0 percent of net sales, in 2008 compared to $313.4 million, or 9.4 percent of net sales, in 2007. The dollar increase in our SG&A expense was primarily due to acquisition synergies and the impact of foreign currency translation, partially offset by tighter controls over SG&A expenses.

Restructuring Charges

Restructuring charges were $43.2 million and $21.2 million in 2008 and 2007, respectively.

Restructuring charges for 2008 consisted of $20.5 million in employee separation costs, $12.3 million in asset impairments, $0.4 million in professional fees and $10.0 million in other restructuring costs, primarily consisting of facility consolidation and lease termination costs. Six company-owned plants in the Industrial Packaging segment and four company-owned plants in the Paper Packaging segment were closed. Additionally, severance costs were incurred due to the elimination of certain operating and administrative positions throughout the world. A total of 630 employees were severed during 2008.

Restructuring charges for 2007 consisted of $9.2 million in employee separation costs, $0.9 million in asset impairments, $1.0 million in professional fees, and $10.1 million in other restructuring costs, primarily consisting of facility consolidation and lease termination costs. Two company-owned plants in the Industrial Packaging segment were closed. Additionally, severance costs were incurred due to the elimination of certain operating and administrative positions throughout the world. A total of 303 employees were severed in 2007.

See the notes to our consolidated financial statements which are incorporated by reference into this prospectus for additional disclosures regarding these restructuring activities.

Gains on Disposal of Properties, Plants and Equipment, Net

For 2008, we recorded a gain on disposal of properties, plants and equipment, net of $59.5 million, primarily consisting of $29.9 million pre-tax net gain on divestiture of business units in Australia and our controlling interest in a Zimbabwean operation, and $15.2 million in net gains from the sale of surplus and HBU timber properties. During 2007, gain on disposals of properties, plants and equipment, net was $19.4 million, primarily consisting of $8.9 million in gains from the sale of surplus and HBU timber properties.

Interest Expense, Net

Interest expense, net, was $49.6 million and $45.5 million in 2008 and 2007, respectively. The increase was primarily due to higher outstanding debt, a larger mix of debt outside of the United States and Europe with higher interest rates, and interest received on lower cash balances.

Other Income (Expense), Net

Other expense, net was $8.8 million in 2008 compared to $9.0 million in 2007. The decrease was primarily due to the recording of $1.7 million in net expense related to losses on foreign currency transactions in 2008 compared to $2.2 million in 2007 and other infrequent non-operating items recorded in 2007.

Income Tax Expense

During 2008, the effective tax rate was 23.6 percent compared to 25.3 percent in 2007. The effective tax rate decreased due to a change in the mix of income in the United States compared to regions outside of the United States, where tax rates were lower. In future years, the effective tax rate may fluctuate based on the mix of income inside and outside the United States and other factors.

Equity in Earnings of Affiliates and Minority Interests

Equity in earnings of affiliates and minority interests was $3.9 million in 2008 compared to $1.7 million for 2007. We have majority holdings in various companies, and the minority interests of other persons in the respective net income of these companies have been recorded as an expense. These expenses were partially offset by equity in the earnings of three of our subsidiaries under the equity method, one in India and two in North America.

Net Income

Based on the foregoing, net income increased $78.0 million to $234.4 million in 2008 from $156.4 million in 2007.

Year 2007 Compared to Year 2006

Overview

Net sales increased 26 percent to $3,322.2 million in 2007 compared to $2,628.4 million in 2006. Of this increase, 14 percent was due to the acquisitions of Blagden Packaging Group s steel drum manufacturing and closures businesses (Blagden) in the first quarter of 2007 and Delta Petroleum Company, Inc. s blending and filling businesses (Delta) in the fourth quarter of 2006, and 4 percent was from currency translation. The $693.8 million increase in net sales was primarily due to higher sales of products in our Industrial Packaging ($665.5 million), which benefited principally from stronger sales volumes compared to 2006, and higher selling prices in Paper Packaging ($28.6 million).

Operating profit was $289.6 million in 2007 compared to $246.2 million in 2006. Operating profit before the impact of restructuring charges and timberland disposals, net was $311.5 million for 2007 compared to $238.1 million for 2006. The $73.4 million increase compared to the prior year was principally due to higher operating profit in all three of the Company s business segments, which include Industrial Packaging ($62.0 million), Paper Packaging ($7.7 million) and Timber ($3.7 million). Operating profit before restructuring charges and the impact of timberland disposals, net, expressed as a percentage of net sales, increased to 9.4 percent for 2007 from 9.1 percent in 2006.

Segment Review

Industrial Packaging

The Industrial Packaging segment offers a comprehensive line of industrial packaging products, such as steel, fibre and plastic drums, intermediate bulk containers, closure systems for industrial packaging products, transit protection products and polycarbonate water bottles, and services, such as blending, filling and packaging services, logistics and warehousing. In 2007, the key factors influencing profitability in the Industrial Packaging segment were:

- Selling prices and sales volumes;
- Raw material costs, primarily steel, resin and containerboard;
- Energy and transportation costs;
- Benefits from executing the Greif Business System;
- Restructuring charges;
- Contributions from recent acquisitions; and
- Impact of currency translation.

In this segment, net sales increased 34 percent to $2,653.6 million in 2007 from $1,993.0 million in 2006, an increase of 10 percent excluding the impact of the Blagden and Delta acquisitions (19 percent) and currency translation (5 percent). This segment s organic growth was driven by higher sales volumes in most regions, with particular strength in Europe and the emerging markets.

Gross profit margin for the Industrial Packaging segment was 18.3 percent in 2007 compared to 18.5 percent in 2006. This decrease was primarily due to portfolio mix and increases in raw material costs that were partially offset by improvements in labor, transportation and other manufacturing costs which benefited from the continued execution of the Greif Business System.

Operating profit was $213.4 million in 2007 compared to $143.5 million in 2006. Operating profit before the impact of restructuring charges increased 38 percent to $229.4 million in 2007 from $167.5 million in 2006 primarily due to the improvement in net sales and the execution of the Greif Business System. Restructuring charges were $16.0 million in 2007 compared to $24.0 million in 2006.

Paper Packaging

The Paper Packaging segment sells containerboard, corrugated sheets and other corrugated products and multiwall bags in North America. In 2007, the key factors influencing profitability in the Paper Packaging segment were:

Selling prices and sales volumes;

Raw material costs, primarily old corrugated containers;

Energy and transportation costs;

Benefits from executing the Greif Business System; and

Restructuring charges.

In this segment, net sales were $653.7 million in 2007 compared to $620.3 million in 2006. The increase in net sales was principally due to higher containerboard selling prices implemented in 2006 and slightly improved volumes.

Gross profit margin for the Paper Packaging segment was 17.8 percent in 2007 compared to 17.5 percent in 2006. Higher raw material costs, especially old corrugated containers, were partially offset by contributions from further execution of the Greif Business System. The previously announced $40 per ton containerboard price increase has been fully implemented.

Operating profit was $62.5 million in 2007 compared to $50.8 million in 2006. Operating profit before the impact of restructuring charges increased 12 percent to $67.7 million in 2007 compared to $60.0 million in 2006 primarily due to higher net sales. Restructuring charges were $5.2 million in 2007 compared to $9.2 million in 2006.

Timber

As of October 31, 2007, the Timber segment consisted of approximately 269,950 acres of timber properties in the southeastern United States, which are actively harvested and regenerated, and approximately 36,650 acres in Canada. In 2007, the key factors influencing profitability in the Timber segment were:

Planned level of timber sales;

Sale of special use properties (surplus, HBU, and development properties); and

Timberland disposals, net.

Net sales were $14.9 million in 2007, consistent with plan, compared to $15.1 million in 2006. While timber sales are subject to fluctuations, we seek to maintain a consistent cutting schedule, within the limits of market and weather conditions. The 2007 timber sales were in line with our expectations.

Operating profit was $13.7 million in 2007 compared to $51.9 million, including $41.3 million from timberland disposals, net, in 2006. Operating profit before the impact of restructuring charges and timberland disposals, net was $14.4 million in 2007 compared to $10.6 million in 2006. Profit from the sale of special use property more than doubled to $9.5 million in 2007 from $4.6 million the prior year. Timberland disposals, net decreased by $42.0 million in 2007 compared to 2006 as the final phases of the $90 million sale of 56,000 acres of timberland, timber and associated assets were completed in 2006. These gains were the result of sales of timberland and are volatile from period to period. Restructuring charges were insignificant in both years.

At October 31, 2007, we estimated that there were approximately 76,000 acres in Canada and the United States of special use property, which will be available for sale in the next five to seven years.

Other Income Statement Changes

Cost of Products Sold

Cost of products sold, as a percentage of net sales, was the same at 81.8 percent for 2007 and 2006. The flat cost of products sold was due to lower labor, transportation and other manufacturing cost resulting from the Greif Business System, which was offset by the change in portfolio mix and increase in raw material costs.

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SG&A Expenses

SG&A expenses were $313.4 million, or 9.4 percent of net sales, in 2007 compared to $259.1 million, or 9.9 percent of net sales, in 2006. The year over year dollar increase in SG&A was primarily due to the Blagden and Delta acquisitions and performance-based incentive accruals, which were partially offset by tight control over SG&A expenses and the positive impact from prior acquisition integration activities.

Restructuring Charges

Restructuring charges were $21.2 million and $33.2 million in 2007 and 2006, respectively.

Restructuring charges for 2007 consisted of $9.2 million in employee separation costs, $0.9 million in asset impairments, $1.0 million in professional fees, and $10.1 million in other restructuring costs, primarily consisting of facility consolidation and lease termination costs. Two company-owned plants in the Industrial Packaging segment were closed. Additionally, severance costs were incurred due to the elimination of certain operating and administrative positions throughout the world. A total of 303 employees were severed in 2007.

Restructuring charges for 2006 consisted of $16.8 million in employee separation costs, $8.3 million in asset impairments, $2.0 million in professional fees and $6.1 million in other restructuring costs, primarily consisting of facility consolidation and lease terminations costs. Four company-owned plants were closed. Three plants in the Paper Packaging segment and one in the Industrial Packaging segment were closed. The Industrial Packaging segment reduced the number of plants in the United Kingdom from five to three; merged operations of businesses purchased in October 2005 into existing North American plants; and consolidated one plant in France. In addition, severance costs were incurred due to the elimination of certain operating and administrative positions throughout the world. A total of 281 employees were severed in 2006.

See the notes to our consolidated financial statements which are incorporated by reference into this prospectus for additional disclosures regarding these restructuring activities.

Gains on Disposal of Properties, Plants and Equipment, Net

The gain on disposal of properties, plants and equipment, net increased by $1.4 million to $19.4 million in 2007 compared to $18.0 million in 2006. The majority of the 2007 gains related to the sale of a small Canadian Industrial Packaging operation and the sale of surplus properties.

Interest Expense, Net

Interest expense, net was $45.5 million and $36.0 million in 2007 and 2006, respectively. The increase was attributable to higher average debt outstanding due to our Blagden and Delta acquisitions, which was partially offset by lower interest expense for our senior notes due 2017 issued in the second quarter of 2007. The senior notes due 2017 replaced our senior subordinated notes tendered in 2007.

Debt Extinguishment Charge

On February 9, 2007, we completed a tender offer for our 87/8 percent Senior Subordinated Notes. In the tender offer, we purchased $245.6 million aggregate principal amount of the outstanding $248.0 million senior subordinated notes. As a result of this transaction, a debt extinguishment charge of $23.5 million ($14.5 million in cash and $9.0 million in non-cash items, such as write-off of unamortized capitalized debt issue costs) was recorded. The remaining senior subordinated notes were redeemed by us during the fourth quarter of 2007. There was no debt extinguishment charge in 2006.

Other Income (Expense), Net

Other expense, net was $8.9 million in 2007 compared to $2.3 million in 2006. The increase was primarily due to the increase in Non-United States trade receivable program fees of $2.5 million, and recording of $2.2 million in expense, for currency transactions and remeasurement gains (losses) related to hyperinflationary accounting in 2007 compared to income of $1.6 million in 2006.

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Income Tax Expense

During 2007, the effective tax rate was 25.3 percent compared to 30.7 percent in 2006. The effective tax rate decreased due to the mix of income in regions outside of the United States versus inside the United States increasing where tax rates were lower.

Equity in Earnings of Affiliates and Minority Interests

Equity in earnings of affiliates and minority interests was $1.7 million for 2007 compared to $1.9 million for 2006. We have majority holdings in various companies, and the minority interests of other persons in the respective net income of these companies have been recorded as an expense. These expenses were partially offset by equity in the earnings of Balmer Lawrie-Van Leer Ltd, a minority interest joint venture in India.

Net Income

Based on the foregoing, net income increased $14.3 million to $156.4 million in 2007 from $142.1 million in 2006.

Liquidity and Capital Resources

Our primary sources of liquidity are operating cash flows, the proceeds from our trade accounts receivable credit facility, proceeds from the sale of our non-United States accounts receivable, borrowings under our senior secured credit facilities and the proceeds from the issuance of our senior notes due 2017, further discussed below, as well as the proceeds from the issuance of the original notes on July 28, 2009. We have used these sources to fund our working capital needs, capital expenditures, cash dividends, common stock repurchases and acquisitions. We anticipate continuing to fund these items in a like manner. We currently expect that operating cash flows, the proceeds from our trade accounts receivable credit facility, proceeds from the sale of our non-United States accounts receivable, borrowings under our senior secured credit facilities and the proceeds from the issuance of our senior notes due 2017 and original notes (or if exchanged, the exchange notes described in this prospectus) will be sufficient to fund our currently anticipated working capital, capital expenditures, debt repayment, potential acquisitions of businesses and other liquidity needs for the foreseeable future. See Description of Senior Secured Credit Facilities and Other Financing Arrangements.

Capital Expenditures

During the first nine months of 2009, we invested $81.4 million in capital expenditures, excluding timberland purchases of $0.6 million, compared with capital expenditures of $107.2 million, excluding timberland purchases of $1.5 million, during the first nine months of 2008. During 2008, 2007 and 2006, we invested $143.1 million (excluding $2.5 million for timberland properties), $112.6 million (excluding $2.3 million for timberland properties), and $75.6 million (excluding $62.1 million for timberland properties), in capital expenditures, respectively.

We expect capital expenditures, excluding timberland purchases, to be approximately $95 to $100 million in 2009. The expenditures will primarily be to replace and improve equipment.

Business Acquisitions and Divestitures

During the first nine months of 2009, we acquired four industrial packaging companies for an aggregate purchase price of $33.0 million. These acquisitions, three located in North America and one in Asia, complimented our current businesses. During 2008, we acquired four small industrial packaging companies and one paper packaging company and made a contingent purchase price payment related to an acquisition from October 2005 for an aggregate purchase price of $90.3 million. These five acquisitions, one in South America (70 percent interest), one in the Middle East (51 percent interest), one in Asia, and two in North America, complemented our current businesses. During 2008, we sold our Australian drum operations, sold our 51 percent interest in a Zimbabwean operation, sold three North American paper packaging operations and sold a North American industrial packaging operation. The proceeds from these divestitures were $36.5 million

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resulting in a net gain of $31.6 million. The 2007 sales and net income from these operations were not material to our overall operations. See the notes to our consolidated financial statements which are incorporated by reference into this prospectus for additional disclosures regarding our acquisitions.

Balance Sheet Changes

July 31, 2009 Compared to October 31, 2008

Our trade accounts receivable decreased $66.3 million, primarily due to lower sales and foreign currency translation.

Inventories decreased $83.3 million due to lower raw material cost, lower inventory requirements and foreign currency translation.

Goodwill increased $32.2 million due to acquisitions in the Industrial Packaging segment, final purchase price adjustments for three 2008 acquisitions and foreign currency translation.

Accounts payable decreased $140.7 million due to lower purchase requirements, lower commodity prices, seasonality factors, timing of payments, partially offset by foreign currency translation.

Accrued payroll and employee benefits decreased $32.3 million primarily due to workforce reductions and reduced 2009 incentive accruals.

Long-term debt increased $111.0 million due to increased cash requirements related to working capital, capital expenditures and acquisitions.

Other long-term liabilities increased $31.8 million primarily due to the revaluation of a cross-currency swap.

Accumulated other comprehensive income (loss) foreign currency translation increased $29.3 million, primarily due to the appreciation of the United State Dollar against the European, Asian and Latin American currencies in 2009.

October 31, 2008 Compared to October 31, 2007

Cash and cash equivalents decreased $46.1 million primarily due to the cost of 2008 North and South America, Asia, and the Middle East acquisitions, capital expenditures, debt repayments, higher priced inventories and dividends paid, partially offset by cash flows from operations.

Trade accounts receivables increased $53.2 million primarily due to the 2008 North and South America, Asia, and the Middle East acquisitions and overall higher selling prices.

Inventories increased $61.0 million primarily due to higher priced inventories and lower demand in the fourth quarter of 2008, coupled with the 2008 North and South America, Asia, and the Middle East acquisitions.

Net assets held for sale increased $9.8 million primarily due to various industrial packaging and paper packaging facility closures.

Long-term notes receivable decreased $32.9 million due to the early collection of a note receivable.

Other long-term assets increased $25.5 million primarily due to the 2008 North and South America, Asia, and the Middle East acquisitions.

Accounts payable decreased $26.4 million due to economic factors, timing of payments and foreign currency translation.

Short-term borrowings increased $28.4 million primarily due to continued expansion and working capital needs at our Chinese subsidiaries, as well as debt acquired for the South American acquisition.

Long-term debt increased by $50.5 million primarily due to financing the 2008 North and South America, Asia, and the Middle East acquisitions.

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Borrowing Arrangements

See Description of Senior Secured Credit Facilities and Certain Financing Arrangements for a description of our existing senior secured credit facilities and senior notes due 2017, as well as certain of our other financing arrangements.

Contractual Obligations

As of July 31, 2009, we had the following contractual obligations (U.S. dollars in millions):

		Payments Due By Period			
	Total	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
Long-term debt	$ 1,143.0	$ 11.8	$ 368.0	$ 89.5	$ 673.7
Short-term borrowings	48.6	48.6			
Capital lease obligations	0.6		0.6		
Operating lease	116.9	5.6	32.8	22.8	55.7
Liabilities held by special purpose entities	68.4	1.1	4.5	4.5	58.3
Total	$ 1,377.5	$ 67.1	$ 405.9	$ 116.8	$ 787.7

Our unrecognized tax benefits under FIN 48 have been excluded from the contractual obligations table because of the inherent uncertainty and the inability to reasonably estimate the timing of cash outflows.

Share Repurchase Program

Our Board of Directors has authorized us to purchase up to four million shares of Class A Common Stock or Class B Common Stock or any combination of the foregoing. During the third three months of 2009, we did not repurchase any shares of Class A Common Stock or Class B Common Stock. As of July 31, 2009, we had repurchased 2,833,272 shares, including 1,416,752 shares of Class A Common Stock and 1,416,520 shares of Class B Common Stock, under this program. The total cost of the shares repurchased from November 1, 2006 through July 31, 2009 was approximately $36.0 million.

Effects of Inflation

The effects of inflation did not have a material impact on our operations during 2008, 2007 or 2006, or during the nine months ended July 31, 2009.

Recent Accounting Standards

In December 2007, the Financial Accounting Standards Board, (FASB) issued SFAS No. 141(R), Business Combinations, which replaces SFAS No. 141. The objective of SFAS No. 141(R) is to improve the relevance, representational faithfulness and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. SFAS No. 141(R) establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) applies to all transactions or other events in which an entity (the acquirer) obtains control of one or more businesses (the acquiree), including those sometimes referred to as true mergers or mergers of equals and combinations achieved without the transfer of consideration. SFAS No. 141(R) will apply to any acquisition entered into on or after November 1, 2009, but will have no effect on our consolidated financial statements for the fiscal year ending October 31, 2009 or any prior fiscal years upon adoption.

In December 2007, the FASB issued SFAS No. 160, Accounting and Reporting of Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51. The objective of SFAS No. 160 is to improve the relevance, comparability and transparency of the financial information that a reporting entity provides in its consolidated financial statements. SFAS No. 160 amends Accounting Research Bulletin No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 also changes the way the consolidated financial statements are presented, establishes a single method of accounting for changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation, requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated and expands disclosures in the consolidated financial statements that clearly identify and distinguish between the parent s ownership interest and the interest of the noncontrolling owners of a subsidiary. The provisions of SFAS No. 160 are to be applied prospectively as of the beginning of the fiscal year in which SFAS No. 160 is adopted, except for the presentation and disclosure requirements, which are to be applied retrospectively for all periods presented. SFAS No. 160 will be effective for the Company s financial statements for the fiscal year beginning November 1, 2009 (2010 for us). We are currently evaluating the impact, if any, that the adoption of SFAS No. 160 will have on our consolidated financial statements.

In December 2008, the FASB issued FASB Staff Position FAS 132(R)-1, Employers Disclosures About Postretirement Benefit Plan Assets (FSP FAS 132(R)-1), to provide guidance on employers disclosures about assets of a defined benefit pension or other postretirement plan. FSP FAS 132(R)-1 requires employers to disclose information about fair value measurements of plan assets similar to SFAS 157. The objectives of the disclosures are to provide an understanding of: (a) how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies, (b) the major categories of plan assets, (c) the inputs and valuation techniques used to measure the fair value of plan assets, (d) the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period and (e) significant concentrations of risk within plan assets. The disclosures required by FSP FAS 132(R)-1 will be effective for our financial statements for the fiscal year beginning November 1, 2009. We are in the process of evaluating the impact, if any, that the adoption of FSP FAS 132(R)-1 may have on our consolidated financial statements.

In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140. The Statement amends SFAS No. 140 to improve the information provided in financial statements concerning transfers of financial assets, including the effects of transfers on financial position, financial performance and cash flows, and any continuing involvement of the transferor with the transferred financial assets. The provisions of SFAS No. 166 are effective for our financial statements for the fiscal year beginning November 1, 2010. We are in the process of evaluating the impact, if any, that the adoption of SFAS No. 166 may have on our consolidated financial statements.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R). SFAS No. 167 amends Interpretation 46(R) to require an enterprise to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a variable interest entity. It also amends FASB Interpretation 46(R) to require enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise s involvement in a variable interest entity. The provisions of SFAS No. 167 are effective for our financial statements for the fiscal year beginning November 1, 2010. We are currently in the process of evaluating the impact, if any, that the adoption of SFAS No. 167 may have on our consolidated financial statements.

In June 2009, the FASB issued SFAS No. 168, The *FASB Accounting Standards Codification*™ and the Hierarchy of Generally Accepted Accounting Principles. This standard replaces SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles, and establishes two levels of GAAP, authoritative and non-authoritative. The FASB Accounting Standards Codification (the Codification) will become the source of authoritative, nongovernmental

GAAP, except for rules and interpretive releases of the SEC, which are sources of authoritative GAAP for SEC registrants. All other non-grandfathered, non-SEC accounting literature not included in the Codification will become non-authoritative. This standard is effective for financial statements for interim or annual reporting periods ending after September 15, 2009. We will begin to use the

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new guidelines and numbering system prescribed by the Codification when referring to GAAP in the fourth quarter of fiscal 2009. We do not expect adoption of SFAS No. 168 to have a material impact on our financial statements.

Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

We are subject to interest rate risk related to our financial instruments that include borrowings under our senior secured credit facilities, proceeds from our senior notes due 2017, trade accounts receivable credit facility and original notes (and if exchanged, the exchange notes described in this prospectus), and interest rate swap agreements. We do not enter into financial instruments for trading or speculative purposes. The interest rate swap agreements have been entered into to manage our exposure to variability in interest rates and changes in the fair value of fixed rate debt.

We had interest rate swap agreements with an aggregate notional amount of $225 million and $100 million at July 31, 2009 and October 31, 2008, respectively, with various maturities through 2010. The interest rate swap agreements are used to fix a portion of the interest on our variable rate debt. Under certain of these agreements, we receive interest monthly or quarterly from the counterparties equal to London InterBank Offered Rate (LIBOR) and pay interest at a fixed rate over the life of the contracts. A liability for the loss on interest rate swap contracts, which represented their fair values, in the amount of $1.6 million and $2.8 million was recorded at July 31, 2009 and October 31, 2008, respectively.

The tables below provide information about our derivative financial instruments and other financial instruments that are sensitive to changes in interest rates. For our senior secured credit facilities, senior notes due 2017 and trade accounts receivable credit facility, the tables present scheduled amortizations of principal and the weighted average interest rate by contractual maturity dates at July 31, 2009 and October 31, 2008. For interest rate swaps, the tables present annual amortizations of notional amounts and weighted average interest rates by contractual maturity dates. Under the cash flow swap agreements, we receive interest either monthly or quarterly from the counterparties and pay interest either monthly or quarterly to the counterparties.

The fair values of our senior secured credit facilities, senior notes due 2017 and trade accounts receivable credit facility are based on rates available to us for debt of the same remaining maturity at July 31, 2009 and October 31, 2008. The fair value of the interest rate swap agreements has been determined based upon the market settlement prices of comparable contracts at July 31, 2009 and October 31, 2008.

Financial Instruments
As of July 31, 2009

	Expected Maturity Date							
	2009	**2010**	**2011**	**2012**	**2013**	**After 2013**	**Total**	**Fair Value**
	(U.S. dollars in millions)							
Senior secured credit facilities:								
Scheduled amortizations	$ 3	$ 17	$ 20	$ 188	$	$	$ 228	$ 228
Average interest rate(1)	3.22%	3.22%	3.22%	3.22%			3.22%	
Senior notes due 2019:								
Scheduled amortizations	$	$	$	$	$	$ 242	$ 242	$ 248
Average interest rate(1)	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	
Senior notes due 2017:								
Scheduled amortizations	$	$	$	$	$	$ 300	$ 300	$ 283
Average interest rate	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	
Trade accounts receivable credit facility:								
Scheduled amortizations	$	$ 10	$	$	$	$	$ 10	$ 10
Average interest rate(1)	1.93%	1.93%					1.93%	
Interest rate swaps:								
Scheduled amortizations	$ 50	$ 50	$	$ 125	$	$	$ 225	$ (1.8)
Average pay rate(2)	4.93%	4.93%	4.93%	4.93%			4.93%	
Average receive rate(3)	0.86%	0.86%	0.86%	0.86%			0.86%	

(1) Variable rate specified is based on LIBOR or an alternative base rate plus a calculated margin at July 31, 2009. The rates presented are not intended to project our expectations for the future.

(2) The average pay rate is based upon the fixed rates we were scheduled to pay at July 31, 2009. The rates presented are not intended to project our expectations for the future.

(3)

The average receive rate is based upon the LIBOR we were scheduled to receive at July 31, 2009. The rates presented are not intended to project our expectations for the future.

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Financial Instruments
As of October 31, 2008

	Expected Maturity Date							
	2009	2010	2011	2012	2013	After 2013	Total	Fair Value
	(U.S. dollars in millions)							
Senior secured credit facilities:								
Scheduled amortizations	$	$ 248	$	$	$	$	$ 248	$ 248
Average interest rate(1)	3.98%	3.98%					3.98%	
Senior notes due 2017:								
Scheduled amortizations	$	$	$	$	$	$ 300	$ 300	$ 246
Average interest rate	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	
Trade accounts receivable credit facility:								
Scheduled amortizations	$	$ 120	$	$	$	$	$ 120	$ 120
Average interest rate(1)	4.24%	4.24%					4.24%	
Interest rate swaps:								
Scheduled amortizations	$ 50	$ 50	$	$	$	$	$ 100	$ (2.7)
Average pay rate(2)	4.93%	4.93%					4.93%	
Average receive rate(3)	3.11%	3.11%					3.11%	

(1) Variable rate specified is based on LIBOR or an alternative base rate plus a calculated margin at October 31, 2008. The rates presented are not intended to project our expectations for the future.

(2) The average pay rate is based upon the fixed rates we were scheduled to pay at October 31, 2008. The rates presented are not intended to project our expectations for the future.

(3) The average receive rate is based upon the LIBOR we were scheduled to receive at October 31, 2008. The rates presented are not intended to project our expectations for the future.

Currency Risk

As a result of our international operations, our operating results are subject to fluctuations in currency exchange rates. The geographic presence of our operations mitigates this exposure to some degree. Additionally, our transaction exposure is somewhat limited because we produce and sell a majority of our products within each country in which we operate.

Prior to August 1, 2007, we had cross-currency interest rate swaps to hedge a portion of our net investment in our European subsidiaries. Under these agreements, we received interest semi-annually from the counterparties equal to a fixed rate of 8.875 percent on $248.0 million and paid interest at a fixed rate of approximately 6.80 percent on 206.7 million. These swaps matured on August 1, 2007 and we paid 206.7 million ($281.9 million) to the counterparties and received $248.0 million from the counterparties.

On August 1, 2007, we entered into new cross-currency interest rate swaps to hedge our net investment in our European subsidiaries. Under these new agreements, we receive interest semi-annually from the counterparties equal to a fixed rate of 6.75 percent on $300.0 million and pay interest at a fixed rate of 6.25 percent on 219.9 million. Upon maturity of these swaps on August 1, 2009, August 1, 2010 and August 1, 2012, we will be required to pay 73.3 million to the counterparties and receive $100.0 million from the counterparties on each of these dates. A liability for the loss on these agreements of $7.7 million and an asset for the gain of $24.5 million, representing their fair values, was recorded at July 31, 2009 and October 31, 2008, respectively.

At July 31, 2009 and October 31, 2008, we had outstanding currency forward contracts in the notional amount of $48.9 million and $174.0 million, respectively ($82.5 million at October 31, 2007). The purpose of these contracts is to hedge our exposure to currency translation, currency transactions and short-term intercompany loan balances with our international businesses. The fair value of these contracts resulted in a loss of $1.5 million recorded in other comprehensive income at October 31, 2008 and an insignificant loss recorded in the consolidated statement of income for 2008.

Commodity Price Risk

We purchase commodities such as steel, resin, containerboard, pulpwood, old corrugated containers and energy. We do not currently engage in material hedging of commodities, other than small hedges in natural gas and old corrugated containers, because there has historically been a high correlation between the commodity cost and the ultimate selling price of our products. The fair value of our commodity hedging contracts resulted in a $6.6 million loss recorded in other comprehensive income at October 31, 2008.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

During fiscal year 2008, as well as the current fiscal year, we retained the law firm of Baker & Hostetler LLP to perform legal services on our behalf, including representing us on certain legal matters regarding the issuance of the notes. Daniel J. Gunsett, a partner in that firm, is one of our directors and a member of the Compensation, Executive, Nominating and Corporate Governance, and Stock Repurchase Committees. Our Board of Directors has affirmatively determined that Mr. Gunsett meets the categorical standards of independence adopted by the Board and is an independent director as defined in the New York Stock Exchange listing standards. See Legal Matters.

John F. Finn is a director of both our company and J.P. Morgan Funds (an affiliate of one of the initial purchasers). Mr. Finn serves on our Audit Committee. Neither Mr. Finn, the Board, nor the Audit Committee had any input on the selection of the initial purchasers.

DESCRIPTION OF SENIOR SECURED CREDIT FACILITIES AND OTHER FINANCING ARRANGEMENTS

Senior Secured Credit Facilities

On February 19, 2009, we and one of our international subsidiaries, as borrowers, and a syndicate of financial institutions, as lenders, entered into a credit agreement which provides us with a $500.0 million revolving multicurrency credit facility and a $200.0 million term loan, both maturing in February 2012, with an option to add $200.0 million to the facilities with the agreement of the lenders. We refer to these loans as our senior secured credit facilities. Our senior secured credit facilities are available to fund ongoing working capital and capital expenditure needs, for general corporate purposes, to finance acquisitions, and to repay amounts outstanding under the prior credit facility, discussed below. Interest is based on either a Eurodollar rate or a base rate that resets periodically plus a calculated margin amount. There was $227.9 million outstanding under our senior secured credit facilities at July 31, 2009.

Our senior secured credit facilities replaced our then existing $450.0 million revolving multicurrency credit facility due 2010. The revolving multicurrency credit facility was available to us for ongoing working capital and general corporate purposes and provided for interest based on a euro currency rate or an alternative base rate that reset periodically plus a calculated margin amount. In connection with entering into the credit agreement for our senior secured credit facilities, we borrowed $325.3 million under those facilities to pay the outstanding obligations under the prior credit facility and certain costs and expenses incurred in connection with this loan transaction.

The credit agreement for our senior secured credit facilities contains certain covenants, which include financial covenants that require us to maintain a certain leverage ratio and a fixed charge coverage ratio. The leverage ratio generally requires that at the end of any fiscal quarter we will not permit the ratio of (a) our total consolidated indebtedness, to (b) our consolidated net income plus depreciation, depletion and amortization, interest expense (including capitalized interest), income taxes, and minus certain extraordinary gains and non-recurring gains (or plus certain extraordinary losses and non-recurring losses) and plus or minus certain other items for the preceding twelve months (EBITDA) to be greater than 3.5-to-1. The fixed charge coverage ratio generally requires that at the end of any fiscal quarter we will not permit the ratio of (a) (i) consolidated EBITDA, less (ii) the aggregate amount of certain cash capital expenditures, and less (iii) the aggregate amount of Federal, state, local and foreign income taxes actually paid in cash (other than taxes related to asset sales not in the ordinary course of business), to (b) the sum of (i) consolidated interest expense to the extent paid or payable in cash during such period and (ii) the aggregate principal amount of all regularly scheduled principal payments or redemptions or similar acquisitions for value of outstanding debt for borrowed money, but excluding any such payments to the extent refinanced through the incurrence of additional indebtedness, to be less than 1.5-to-1. At July 31, 2009, we were in compliance with the covenants under this credit agreement.

The terms of the credit agreement for our senior secured credit facilities limit our ability to make restricted payments, which includes dividends and purchases, redemptions and acquisitions of our equity interests. The repayment of this facility is secured by a security interest in our personal property and the personal property of our United States subsidiaries, including equipment and inventory and certain intangible assets, as well as a pledge of the capital stock of substantially all of our United States subsidiaries and, in part, by the capital stock of all international borrowers. The payment of the outstanding principal balance of the senior secured credit facilities and accrued interest thereon may be accelerated and become immediately due and payable upon the default in our payment or other performance obligations or our failure to comply with the financial and other covenants in the credit agreement for these facilities, subject to applicable notice requirements and cure periods as provided in the credit agreement.

On July 28, 2009, we issued the original notes. In connection with the issuance of the original notes, we obtained a waiver from the lenders under the credit agreement for our senior secured credit facilities. Under this credit agreement, we would have been required to use the proceeds of the original notes first to make a mandatory prepayment to our term loan facility, then to make a mandatory prepayment to certain letter of credit borrowings and finally to cash collateralize letter of credit obligations. The lenders waived this mandatory prepayment requirement and allowed us to instead, on a one-time basis, to use the proceeds of the original notes to repay borrowings under the revolving credit facility.

Existing Senior Notes

We have issued $300.0 million of our 63/4 percent Senior Notes due February 1, 2017, which we refer to as our senior notes due 2017. The proceeds from the issuance of the senior notes due 2017 were principally used to fund the purchase of our previously outstanding senior subordinated notes and for general corporate purposes. The senior notes due 2017 are general unsecured obligations of Greif, provide for semi-annual payments of interest at a fixed rate of 6.75 percent, and do not require any principal payments prior to maturity on February 1, 2017. The senior notes due 2017 are not guaranteed by any of our subsidiaries and thereby are effectively subordinated to all of our subsidiaries existing and future indebtedness. The indenture pursuant to which the senior notes due 2017 were issued contains covenants, which, among other things, limit our ability to create liens on our assets to secure debt and to enter into sale and leaseback transactions. These covenants are subject to a number of limitations and exceptions as set forth in the indenture.

United States Trade Accounts Receivable Credit Facility

We have a $135.0 million trade accounts receivable facility (the Receivables Facility) with a financial institution and its affiliate (the Purchasers). The Receivables Facility matures in December 2013, subject to earlier termination by the Purchasers of their purchase commitment in December 2009. In addition, we can terminate the Receivables Facility at any time upon five days prior written notice. The Receivables Facility is secured by certain of our United States trade receivables and bears interest at a variable rate based on the commercial paper rate, or alternatively, LIBOR, plus a margin. Interest is payable on a monthly basis and the principal balance is payable upon termination of the

Receivables Facility. The Receivables Facility contains certain covenants, including financial covenants for a leverage ratio identical to the credit agreement for the senior secured credit facilities, and an interest coverage ratio. The interest coverage ratio generally requires that, at the end of any quarter, we will not permit the ratio of (a) our EBITDA (see definition in Senior

Secured Credit Facilities above) to (b) our interest expense (including capitalized interest) for the preceding twelve months to be less than 3-to-1. Proceeds of the Receivables Facility are available for working capital and general corporate purposes. At July 31, 2009, $10.0 million was outstanding under the Receivables Facility. See the notes to our consolidated financial statements which are incorporated by reference into this prospectus for additional disclosures regarding this credit facility.

Sale of Non-United States Accounts Receivable

Certain of our international subsidiaries have entered into discounted receivables purchase agreements and factoring agreements (the RPAs) pursuant to which trade receivables generated from certain countries other than the United States and which meet certain eligibility requirements are sold to certain international banks or their affiliates. The structure of these transactions provide for a legal true sale, on a revolving basis, of the receivables transferred from our various subsidiaries to the respective banks. The banks fund an initial purchase price of a certain percentage of eligible receivables based on a formula with the initial purchase price approximating 75 percent to 90 percent of eligible receivables. The remaining deferred purchase price is settled upon collection of the receivables. At the balance sheet reporting dates, we remove from accounts receivable the amount of proceeds received from the initial purchase price since they meet the applicable criteria of SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, and continue to recognize the deferred purchase price in our accounts receivable. The receivables are sold on a non-recourse basis with the total funds in the servicing collection accounts pledged to the respective banks between the settlement dates. The maximum amount of aggregate receivables that may be sold under our various RPAs was $172.8 million at July 31, 2009. At July 31, 2009, total accounts receivable of $118.5 were sold under the various RPAs.

At the time the receivables are initially sold, the difference between the carrying amount and the fair value of the assets sold are included as a loss on sale and classified as other expense in the consolidated statements of income. Expenses associated with the various RPAs totaled $3.7 million for the three months ended July 31, 2009. Additionally, we perform collections and administrative functions on the receivables sold similar to the procedures we use for collecting all of our receivables. The servicing liability for these receivables is not material to the consolidated financial statements. See the notes to our consolidated financial statements which are incorporated by reference into this prospectus for additional disclosures regarding these various RPAs.

Other

In addition to the amounts borrowed against the senior secured credit facilities and proceeds from our senior notes due 2017, our United States trade accounts receivable credit facility and the original notes, we had outstanding other debt of $52.7 million, comprised of $4.7 million in long-term debt and $48.0 million in short-term borrowings, at July 31, 2009.

Significant Nonstrategic Timberland Transactions

In connection with a 2005 timberland transaction with Plum Creek Timberlands, L.P. (Plum Creek), Soterra LLC (one of our wholly-owned subsidiaries) received cash and a $50.9 million purchase note payable by an indirect subsidiary of Plum Creek (the Purchase Note). Soterra LLC contributed the Purchase Note to STA Timber LLC (STA Timber), one of our indirect wholly-owned subsidiaries. The Purchase Note is secured by a Deed of Guarantee issued by Bank of America, N.A., London Branch, in an amount not to exceed $52.3 million (the Deed of Guarantee). STA Timber has issued in a private placement 5.20 percent Senior Secured Notes due August 5, 2020 (the Monetization Notes) in the principal amount of $43.3 million. The Monetization Notes are secured by a pledge of the Purchase Note and the Deed of Guarantee. Greif, Inc. and its other subsidiaries have not extended any form of guaranty of the principal or interest on the Monetization Notes. Accordingly, Greif, Inc. and its other subsidiaries will not become directly or contingently liable for the payment of the Monetization Notes at any time. See the notes to our consolidated financial statements which are incorporated by reference into this prospectus for additional disclosures regarding these transactions.

THE EXCHANGE OFFER

Purpose and Effect of the Exchange Offer

On July 28, 2009, we sold $250.0 million in aggregate principal amount at maturity of the outstanding original notes (the original notes) in a private placement. The original notes were sold to the initial purchasers who in turn resold the notes to a limited number of Qualified Institutional Buyers, as defined under the Securities Act. In connection with the sale of the original notes, we and the initial purchasers entered into a registration rights agreement. Under the registration rights agreement, we have agreed to file a registration statement regarding the exchange of the original notes for new exchange notes which are registered under the Securities Act. We have also agreed to use our best efforts to cause the registration statement to become effective with the SEC, and we have agreed to conduct this exchange offer after the registration statement is declared effective. We will use our best efforts to keep this registration statement continuously effective during the one-year period following the closing of the exchange offer. You are a holder with respect to the exchange offer if you are a person in whose name any original notes are registered on our books or any person who has obtained a properly completed assignment of original notes from the registered holder.

We are making the exchange offer to comply with our obligations under the registration rights agreement. A copy of the registration rights agreement has been filed as an exhibit to the registration statement of which this prospectus is a part.

In order to participate in the exchange offer, you must represent to us, among other things, that:

you are acquiring the exchange notes under the exchange offer in the ordinary course of your business;

you are not engaged in, and do not intend to engage in, a distribution of the exchange notes;

you do not have any arrangement or understanding with any person to participate in the distribution of the exchange notes;

you are not a broker-dealer tendering original notes acquired directly from us for your own account;

you are not one of our affiliates, as defined in Rule 405 of the Securities Act; and

you are not prohibited by law or any policy of the SEC from participating in the exchange offer.

Resale of the Exchange Notes

Based on previous interpretations by the Staff of the SEC set forth in no-action letters issued to third parties, including Exxon Capital Holdings Corporation (available May 13, 1988), Morgan Stanley & Co. Incorporated (available June 5, 1991) and Shearman & Sterling (available July 2, 1993), we believe that the exchange notes issued in the exchange offer may be offered for resale, resold and otherwise transferred by you, except if you are an affiliate of us, without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that the representations set forth in Purpose and Effect of the Exchange Offer apply to you.

If you tender in the exchange offer with the intention of participating in a distribution of the exchange notes, you cannot rely on the interpretations by the Staff of the SEC as set forth in the Exxon Capital Holdings Corporation no-action letter and interpretive letters of similar effect, and you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction. If our belief regarding resale is inaccurate, those who transfer exchange notes in violation of the prospectus delivery provisions of the Securities Act and without an exemption from registration under the federal securities laws may incur liability under these laws. We do not assume or indemnify you against this liability.

The exchange offer is not being made to, nor will we accept surrenders for exchange from, holders of original notes in any jurisdiction in which the exchange offer or the acceptance thereof would not be in compliance with the securities or blue sky laws of the particular jurisdiction. Each broker-dealer that receives exchange notes for its own account in exchange for original notes, where the original notes were acquired by that broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. See Plan of Distribution. In order to facilitate the disposition of exchange notes by broker-dealers participating in the exchange offer, we have agreed, subject to specific conditions, to make this prospectus, as it may be amended or supplemented from time to time, available for delivery by those broker-dealers to satisfy their prospectus delivery obligations under the Securities Act. Any holder that is a broker-dealer participating in the exchange offer must notify the exchange agent at the telephone number set forth in the enclosed letter of transmittal and must comply with the procedures for broker-dealers participating in the exchange offer. We have not entered into any arrangement or understanding with any person to distribute the exchange notes to be received in the exchange offer.

Terms of the Exchange Offer

This prospectus and the accompanying letter of transmittal together constitute the exchange offer. Upon the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal, we will accept for exchange original notes which are properly tendered on or before the expiration date and are not withdrawn as permitted below. The expiration date for this exchange offer is 5:00 p.m., New York City time, on December 18, 2009, or such later date and time to which we, in our sole discretion, extend the exchange offer.

As of the date of this prospectus, $250.0 million in aggregate principal amount at maturity of the original notes are outstanding. This prospectus, together with the letter of transmittal, is being sent to all registered holders of the original notes on this date. There will be no fixed record date for determining registered holders of the original notes entitled to participate in the exchange offer; however, holders of the original notes must tender their certificates therefor or cause their original notes to be tendered by book-entry transfer before the expiration date of the exchange offer to participate.

The form and terms of the new notes being issued in the exchange offer are the same as the form and terms of the original notes, except that:

- the exchange notes being issued in the exchange offer will have been registered under the Securities Act;
- the exchange notes being issued in the exchange offer will not bear the restrictive legends restricting their transfer under the Securities Act; and
- the exchange notes being issued in the exchange offer will not contain provisions providing for registration rights or the obligation to pay additional interest because of our failure to register the exchange notes and complete this exchange offer as required.

Outstanding original notes being tendered in the exchange offer must be in denominations of the principal amount of $1,000 and integral multiples of that amount.

We intend to conduct the exchange offer in accordance with the provisions of the registration rights agreement and applicable federal securities laws. Original notes that are not tendered for exchange under the exchange offer will remain outstanding and will be entitled to the rights under the related indenture. Any original notes not tendered for exchange will not retain any rights under the registration rights agreement and will remain subject to transfer restrictions. See Consequences of Failure to Exchange.

We will be deemed to have accepted validly tendered original notes when, as and if we will have given oral or written notice of its acceptance to the exchange agent. The exchange agent will act as agent for the tendering holders for the purposes of receiving the exchange notes from us. If any tendered original notes are not accepted for exchange because of an invalid tender, the occurrence of other events set forth in this prospectus, or otherwise, certificates for any unaccepted original notes will be returned, or, in the case of original notes tendered by book-entry transfer, those unaccepted original notes will be credited to an account maintained with The Depository Trust Company, without expense to the tendering holder of those original notes as promptly as practicable after the expiration date of the exchange offer. See Procedures for Tendering.

Those who tender original notes in the exchange offer will not be required to pay brokerage commission or fees or, subject to the instruction in the letter of transmittal, transfer taxes with respect to the exchange under the exchange offer. We will pay all charges and expenses, other than applicable taxes described below, in connection with the exchange offer. See Fees and Expenses.

Expiration Date; Extensions, Amendments

The expiration date is 5:00 p.m., New York City time on December 18, 2009, unless we, in our sole discretion, extend the expiration date of the exchange offer. We may, in our sole discretion, terminate the exchange offer.

To extend the expiration date, we will notify the exchange agent of any extension by oral or written notice prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date, and we will notify the holders of original notes, or cause them to be notified, by making a public announcement of the extension, as promptly as practicable thereafter.

We reserve the right (1) to refuse to accept any original notes, to extend the expiration date of this exchange offer or to terminate this exchange offer and not accept any original notes for exchange if any of the conditions set forth herein under Conditions to the Exchange Offer shall not have been satisfied or waived by us prior to the expiration date, by giving oral or written notice of such delay, extension or termination to the exchange agent; or (2) to amend the terms of this exchange offer in any manner deemed by us to be advantageous to the holders of the original notes. Any such refusal in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice thereof to the exchange agent. If this exchange offer is amended in a manner determined by us to constitute a material change, we will promptly disclose such amendment in a manner reasonably calculated to inform the holders of the original notes of such amendment.

Without limiting the manner in which we may choose to make a public announcement of any delay, extension, amendment or termination of the exchange offer, we will have no obligation to publish, advertise or otherwise communicate that public announcement, other than by making a timely release to an appropriate news agency.

Conditions to the Exchange Offer

Without regard to other terms of the exchange offer, we are not required to accept for exchange, or to issue exchange notes in the exchange offer for, any original notes and we may terminate or amend the exchange offer, if at any time before the acceptance of original notes for exchange, if:

- any federal law, statute, rule or regulation is proposed, adopted or enacted which, in our judgment, might reasonably be expected to impair our ability to proceed with the exchange offer;

- any action or proceeding is instituted or threatened in any court or by or before any governmental agency with respect to the exchange offer that, in our judgment, might impair our ability to proceed with the exchange offer;

- any stop order is threatened or in effect with respect to the registration statement of which this prospectus constitutes a part or the qualification of the indenture under the Trust Indenture Act of 1939;

- any governmental approval or approval by holders of the original notes has not been obtained if we, in our reasonable judgment, deem this approval necessary for the consummation of the exchange offer; or there occurs a change in the current interpretation by the Staff of the SEC which permits the exchange notes to be issued in the exchange offer to be offered for resale, resold and otherwise transferred by the holders of the exchange notes, other than broker-dealers and any holder which is an affiliate of ours within the meaning of Rule 405 under the Securities Act, without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that the exchange notes acquired in the exchange offer are acquired in the ordinary course of that holder s business and that holder has no arrangement or understanding with any person to participate in the distribution of the exchange notes to be issued in the exchange offer.

The preceding conditions are for our sole benefit and we may assert them regardless of the circumstances giving rise to any such condition. The failure by us at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right, and each such right shall be deemed an ongoing right which may be asserted any time and from time to time by us. If we determine that any of these conditions is not satisfied, we may:

refuse to accept any original notes and return all tendered original notes to the tendering holders, or, in the case of original notes tendered by book-entry transfer, credit those original notes to an account maintained with The Depository Trust Company (DTC);

extend the expiration date of the exchange offer and retain all original notes tendered before the expiration date of the exchange offer, subject, however, to the rights of the holders who have tendered the original notes to withdraw their original notes; or

waive unsatisfied conditions with respect to the exchange offer and accept all properly tendered original notes that have not been withdrawn. If the waiver constitutes a material change to the exchange offer, we will promptly disclose the waiver by means of a prospectus supplement that will be distributed to the registered holders of the original notes, and we will extend the exchange offer for a period of up to ten business days, depending on the significance of the waiver and the manner of disclosure of the registered holders of the original notes, if the exchange offer would otherwise expire during this period.

Procedures for Tendering

To effectively tender original notes held in physical form, a holder of the original notes must complete, sign and date the letter of transmittal, or a facsimile thereof, have the signatures thereon guaranteed if required by the letter of transmittal, and mail or otherwise deliver such letter of transmittal or a facsimile thereof, together with the certificates representing such original notes and any other required documents, to the exchange agent prior to 5:00 p.m., New York City time, on the expiration date.

A holder may also, in lieu of the above, deposit original notes held in physical form with DTC and make a book-entry transfer as set forth below.

To effectively tender original notes by book-entry transfer to the account maintained by the exchange agent at DTC, holders of original notes may request a DTC participant to, on their behalf, in lieu of physically completing and signing the letter of transmittal and delivering it to the exchange agent, electronically transmit their acceptance through DTC s Automated Tender Offer Program (ATOP), and DTC will then edit and verify the acceptance and send an agent s message (an Agent s Message) to the exchange agent for its acceptance. An Agent s Message is a message transmitted by DTC to, and received by, the exchange agent and forming a part of the Book-Entry Confirmation (as defined below), which states that DTC has received an express acknowledgment from the DTC participant tendering original notes on behalf of the holder of such original notes that such DTC participant has received and agrees to bound by the terms and conditions of the exchange offer as set forth in this prospectus and the related letter of transmittal and that we may enforce such agreement against such participant. Certificates representing original notes, or a timely confirmation of a book-entry transfer of the original notes into the exchange agent s account at DTC (a Book-Entry Confirmation), pursuant to the book-entry transfer procedures described below, as well as either a properly completed and duly executed consent and letter of transmittal (or manually signed facsimile thereof), or an Agent s Message pursuant to DTC s ATOP system, and any other documents required by the letter of transmittal, must be mailed or delivered to the exchange agent on or prior to 5:00 p.m., New York City time, on the expiration date of the exchange offer.

Holders of original notes whose certificates for original notes are not lost but are not immediately available or who cannot deliver their certificates and all other documents required by the letter of transmittal to the exchange agent on or prior to the expiration date, or who cannot complete the procedures for book-entry transfer on or prior to the expiration date, may tender their original notes according to the guaranteed

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delivery procedures set forth in The Exchange Offer Guaranteed Delivery Procedures section of this prospectus.

The method of delivery of the letter of transmittal, any required signature guarantees, the original notes and all other required documents, including delivery of original notes through DTC, and transmission of an Agent s Message through DTC s ATOP system, is at the election and risk of the tendering holders, and the delivery will be deemed made only when actually received or confirmed by the exchange agent. If original notes are sent by mail, it is suggested that the mailing be registered mail, properly insured, with return receipt requested, made sufficiently in advance of the expiration date, as desired, to permit delivery to the exchange agent prior to 5:00 p.m. on the expiration date. **Holders tendering original notes through DTC s ATOP system must allow sufficient time for completion of the ATOP procedures during the normal business hours of DTC on such respective date.**

No original notes, letters of transmittal, Agent s Messages or other required documents should be sent to us. Delivery of all original notes, letters of transmittal, Agent s Messages and other documents must be made to the exchange agent. Holders may also request their respective brokers, dealers, commercial banks, trust companies or nominees to effect such tender for such holders.

The tender by a holder of original notes will constitute an agreement between such holder and us in accordance with the terms and subject to the conditions set forth herein and in the letter of transmittal. Holders of original notes registered in the name of a broker, dealer, commercial bank, trust company or other nominee who wish to tender must contact such registered holder promptly and instruct such registered holder how to act on such non-registered holder s behalf.

Signatures on a letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or an eligible guarantor institution within the meaning of Rule 17Ad-15 under the Exchange Act (each an Eligible Institution) unless the original notes tendered pursuant thereto are tendered (1) by a registered holder of original notes who has not completed the box entitled Special Issuance Instructions or Special Delivery Instructions on the letter of transmittal or (2) for the account of an Eligible Institution.

If a letter of transmittal is signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such person should so indicate when signing, and, unless waived by us, evidence satisfactory to us of their authority to so act must be submitted with such letter of transmittal.

All questions as to the validity, form, eligibility, time of receipt and withdrawal of the tendered original notes will be determined by us in our sole discretion, which determination will be final and binding. We reserve the absolute right to reject any and all original notes not validly tendered or any original notes which, if accepted, would, in the opinion of our counsel, be unlawful. We also reserve the absolute right to waive any irregularities or conditions of tender as to particular original notes. Our interpretation of the terms and conditions of this exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of original notes must be cured within such time as we shall determine. None of us, the exchange agent, or any other person shall be under any duty to give notification of defects or irregularities with respect to tenders of original notes, nor shall any of them incur any liability for failure to give such notification. Tenders of original notes will not be deemed to have been made until such irregularities have been cured or waived. Any original notes received by the exchange agent that are not validly tendered and as to which the defects or irregularities have not been cured or waived will be returned without cost to such holder by the exchange agent, unless otherwise provided in the letter of transmittal, as soon as practicable following the expiration date of the exchange offer.

We reserve the right, in our sole discretion, to purchase or make offers for any original notes after the expiration date of the exchange offer, from time to time, through open market or privately negotiated transactions, one or more additional exchange or tender offers, or otherwise, as permitted by law, the indenture and our other debt agreements. Following consummation of this exchange offer, the terms of any such purchases or offers could differ materially from the terms of this exchange offer.

By tendering, each holder will represent to us that, among other things, the person acquiring the exchange notes in the exchange offer is obtaining them in the ordinary course of its business, whether or not such person is the holder, and that neither the holder nor such other person has any arrangement or understanding with any person to participate in the distribution of the exchange notes issued in the exchange offer. If any holder or any such other person is an affiliate, as defined under Rule 405 of the Securities Act, of us, or is engaged in or intends to engage in or has an arrangement or understanding with any person to participate in a distribution of exchange notes to be acquired in the exchange offer, that holder or any such other person:

- may not rely on the applicable interpretations of the staff of the SEC; and
- must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

Each broker-dealer who acquired its original notes as a result of market-making activities or other trading activities and thereafter receives exchange notes issued for its own account in the exchange offer, must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes issued in the exchange offer. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. See Plan of Distribution for a discussion of the exchange and resale obligations of broker-dealers in connection with the exchange offer.

Acceptance of Original Notes for Exchange; Delivery of Exchange Notes Issued in the Exchange Offer

Upon satisfaction or waiver of all of the conditions to the exchange offer, we will accept, promptly after the expiration date, all original notes properly tendered and will issue exchange notes registered under the Securities Act. For purposes of the exchange offer, we will be deemed to have accepted properly tendered original notes for exchange when, as and if we have given oral or written notice to the exchange agent, with written confirmation of any oral notice to be given promptly thereafter. See Conditions to the Exchange Offer for a discussion of the conditions that must be satisfied before we accept any original notes for exchange.

For each original note accepted for exchange, the holder will receive an exchange note registered under the Securities Act having a principal amount equal to that of the surrendered original note. Accordingly, registered holders of exchange notes issued in the exchange offer on the relevant record date for the first interest payment date following the completion of the exchange offer will receive interest accruing from the most recent date to which interest has been paid or, if no interest has been paid on the original notes, from July 28, 2009. Original notes that we accept for exchange will cease to accrue interest from and after the date of completion of the exchange offer. Under the registration rights agreement, we may be required to make additional payments in the form of liquidated damages to the holders of the original notes under circumstances relating to the timing of the exchange offer.

In all cases, we will issue exchange notes in the exchange offer for original notes that are accepted for exchange only after the exchange agent timely receives:

- certificates for such original notes or a timely book-entry confirmation of such original notes into the exchange agent s account at DTC;
- a properly completed and duly executed letter of transmittal or an agent s message; and

all other required documents.

If for any reason set forth in the terms and conditions of the exchange offer we do not accept any tendered original notes, or if a holder submits original notes for a greater principal amount than the holder desires to exchange, we will return such unaccepted or non-exchanged original note without cost to the tendering holder. In the case of original notes tendered by book-entry transfer into the exchange agent s account at DTC, such non-exchanged original notes will be credited to an account maintained with DTC. We will return the original notes or have them credited to the DTC account as promptly as practicable after the expiration or termination of the exchange offer.

Book-Entry Transfer

The exchange agent will make a request to establish an account with respect to the original notes at DTC for purposes of this exchange offer within two business days after the date of this prospectus. Any financial institution that is a participant in DTC s ATOP systems may use DTC s ATOP procedures to tender original notes. Such participant may make book-entry delivery of original notes by causing DTC to transfer such original notes into the exchange agent s account at DTC in accordance with DTC s procedures for transfer. However, although delivery of original notes may be effected through book-entry transfer at DTC, the letter of transmittal, or facsimile thereof, with any required signature guarantees, or an Agent s Message pursuant to the ATOP procedures and any other required documents must, in any case, be transmitted to and received by the exchange agent at the address set forth in this prospectus on or prior to the expiration date of the exchange offer, or the guaranteed delivery procedures described below must be complied with. Delivery of documents to DTC will not constitute valid delivery to the exchange agent.

Guaranteed Delivery Procedures

Holders whose certificates for original notes are not lost but are not immediately available or who cannot deliver their certificates and all other required documents to the exchange agent on or prior to the expiration date, or who cannot complete the procedures for book-entry transfer on or prior to the expiration date, may nevertheless effect a tender of their original notes if:

- the tender is made through an eligible institution;
- prior to the expiration date of the exchange offer, the exchange agent receives by facsimile transmission, mail or hand delivery from such eligible institution a validly completed and duly executed letter of transmittal (or facsimile thereof) or an Agent s Message pursuant to DTC s ATOP system, and a notice of guaranteed delivery, substantially in the form provided with this prospectus, which
  - sets forth the name and address of the holder of the original notes and the amount of original notes tendered;
  - states that the tender is being made thereby; and
  - guarantees that within three NYSE trading days after the date of execution of the notice of guaranteed delivery, the certificates for all physically tendered original notes, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, and any other documents required by the letter of transmittal will be deposited by the eligible institution with the exchange agent; and
- the certificates for all physically tendered original notes, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, and all other documents required by the letter of transmittal are received by the exchange agent within three NYSE trading days after the date of execution of the notice of guaranteed delivery.

Withdrawal of Tenders

Tenders of original notes may be properly withdrawn at any time prior 5:00 p.m., New York City time, on the expiration date of the exchange offer.

For a withdrawal of a tender to be effective, a written notice of withdrawal delivered by hand, overnight by courier or by mail, or a manually signed facsimile transmission, or a properly transmitted Request Message through DTC s ATOP system, must be received by the exchange agent prior to 5:00 p.m., New York City time, on the expiration date of the exchange offer. Any such notice of withdrawal must:

specify the name of the person that tendered the original notes to be properly withdrawn;

identify the original notes to be properly withdrawn, including the principal amount of such original notes;

in the case of original notes tendered by book-entry transfer, specify the number of the account at DTC from which the original notes were tendered and specify the name and number of the account at DTC to be credited with the properly withdrawn original notes and otherwise comply with the procedures of such facility;

contain a statement that such holder is withdrawing its election to have such original notes exchanged for exchange notes;

other than a notice transmitted through DTC s ATOP system, be signed by the holder in the same manner as the original signature on the letter of transmittal by which such original notes were tendered, including any required signature guarantees, or be accompanied by documents of transfer to have the Trustee with respect to the original notes register the transfer of such original notes in the name of the person withdrawing the tender; and

specify the name in which such original notes are registered, if different from the person who tendered such original notes.

All questions as to the validity, form, eligibility and time of receipt of such notice will be determined by us, and our determination shall be final and binding on all parties. Any original notes so properly withdrawn will be deemed not to have been validly tendered for exchange for purposes of this exchange offer and no exchange notes will be issued with respect thereto unless the original notes so withdrawn are validly retendered thereafter. Any original notes that have been tendered for exchange but are not exchanged for any reason will be returned to the tendering holder thereof without cost to such holder, or, in the case of original notes tendered by book-entry transfer into the exchange agent s account at DTC pursuant to the book-entry transfer procedures described above, such original notes will be credited to an account maintained with DTC for the original notes as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer. Properly withdrawn original notes may be retendered by following the procedures described above at any time on or prior to the expiration date of the exchange offer.

Termination of Certain Rights

All rights given to holders of original notes under the registration rights agreement will terminate upon the consummation of the exchange offer except with respect to our duty:

to use our best efforts to keep the registration statement continuously effective during the one-year period following the closing of the exchange offer; and

to provide copies of the latest version of this prospectus to any broker-dealer that requests copies of this prospectus for use in connection with any resale by that broker-dealer of exchange notes received for its own account pursuant to the exchange offer in exchange for original notes acquired for its own account as a result of market-making or other trading activities, subject to the conditions described above under Resale of the Exchange Notes.

Exchange Agent

U.S. Bank National Association has been appointed as exchange agent for this exchange offer. Letters of transmittal, Agent s or Request Messages through DTC s ATOP system, notices of guaranteed delivery and all correspondence in connection with this exchange offer should be sent or delivered by each holder of original notes or a beneficial owner s broker, dealer, commercial bank, trust company or other nominee to the exchange agent at the addresses set forth in the letter of transmittal. We will pay the exchange agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses in connection therewith.

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Fees and Expenses

The expenses of soliciting tenders pursuant to this exchange offer will be paid by us.

Except as described above, we will not make any payments to brokers, dealers or other persons soliciting acceptances of this exchange offer. We will, however, pay the reasonable and customary fees and out-of-pocket expenses of the exchange agent, the trustee, and legal, accounting, and related fees and expenses. We may also pay brokerage houses and other custodians, nominees and fiduciaries their reasonable out-of-pocket expenses incurred in forwarding copies of this prospectus and related documents to the beneficial owners of the original notes, and in handling or forwarding tenders for exchange.

We will also pay all transfer taxes, if any, applicable to the exchange of original notes pursuant to this exchange offer. If, however, original notes are to be issued for principal amounts not tendered or accepted for exchange in the name of any person other than the registered holder of the original notes tendered or if tendered original notes are registered in the name of any person other than the person signing the letter of transmittal, or if a transfer tax is imposed for any reason other than the exchange of original notes pursuant to this exchange offer, then the amount of any such transfer taxes, whether imposed on the registered holder or any other persons, will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with the consent and letter of transmittal, the amount of such transfer taxes will be billed directly to such tendering holder.

The estimated cash expenses to be incurred in connection with the exchange offer are estimated in the aggregate to be approximately $100,000. These expenses include registration fees, fees and expenses of the exchange agent, accounting and legal fees, and printing costs, among others.

Consequences of Failure of Exchange Original Notes

Holders who desire to tender their original notes in exchange for exchange notes registered under the Securities Act should allow sufficient time to ensure timely delivery. Neither the exchange agent nor us is under any duty to give notification of defects or irregularities with respect to the tenders of original notes for exchange.

Original notes that are not tendered or are tendered but not accepted will, following the completion of the exchange offer, continue to be subject to the provisions in the indenture regarding the transfer and exchange of the original notes and the existing restrictions on transfer set forth in the legend on the original notes and in the offering memorandum dated July 23, 2009, relating to the original notes. Except in limited circumstances with respect to specific types of holders of original notes, we will have no further obligation to provide for the registration under the Securities Act of such original notes. In general, original notes, unless registered under the Securities Act, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws.

We do not currently anticipate that we will take any action to register the original notes under the Securities Act or under any state securities laws. Upon completion of the exchange offer, holders of the original notes will not be entitled to any further registration rights under the registration rights agreement, except under limited circumstances.

Holders of the exchange notes issued in the exchange offer and any original notes which remain outstanding after completion of the exchange offer will vote together as a single class for purposes of determining whether holders of the requisite percentage of the class have taken certain actions or exercised certain rights under the indenture.

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DESCRIPTION OF NOTES

In this section of the prospectus only, references to Greif, we, us, our and our company refer only to Greif, Inc. a not to any of its subsidiaries.

The original notes were, and the exchange notes will be, issued under an indenture dated July 28, 2009 (the indenture), between Greif, Inc. and U.S. Bank National Association, as trustee. The original notes and the exchange notes, together, are referred to herein as the notes. The terms of the notes include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended.

The following is a summary of the material provisions of the indenture. It does not include all of the provisions of the indenture. You should read the indenture, including the definitions of certain terms contained therein and those terms made part of the indenture by reference to the Trust Indenture Act, in its entirety for provisions that may be important to you. Copies of the indenture are available as set forth below under Additional Information. Certain defined terms used in this description but not defined below under Certain Definitions have the meanings assigned to them in the indenture.

The registered holder of a note will be treated as the owner of it for all purposes. Only registered holders will have rights under the indenture.

Brief Description of the Notes

The Notes

The notes are:

- our general unsecured obligations;
- pari passu in right of payment with all of our existing and future unsecured senior indebtedness;
- effectively junior to our secured indebtedness up to the value of the collateral securing such indebtedness;
- effectively junior to all existing and future indebtedness of our subsidiaries and other liabilities of our subsidiaries, including trade payables and lease obligations; and
- senior in right of payment to our existing and any future subordinated indebtedness.

The notes effectively rank junior to all indebtedness, including guarantees, under our Credit Agreement, and to liabilities, including trade payables and lease obligations, of our subsidiaries. Initially, the notes will not be guaranteed by any of our subsidiaries. In the event of a bankruptcy, liquidation or reorganization of any of these subsidiaries, the subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to us. See Risk Factors. As of July 31, 2009, our subsidiaries had $52.7 million of indebtedness outstanding (excluding indebtedness under our senior secured credit facilities).

Principal, Maturity and Interest

Greif issued $250.0 million aggregate principal amount of original notes in the private offering. Greif may issue additional notes under the indenture from time to time. Except as set forth herein, the original notes, the exchange notes and any additional notes subsequently issued under the indenture will be treated as a single class for all purposes under the indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. Greif will issue notes in denominations of $2,000 and integral multiples of $1,000 in excess of $2,000. The notes will mature on August 1, 2019.

Interest on the notes will accrue interest at the rate of 73/4% per annum, payable semi-annually in arrears on February 1 and August 1 of each year, beginning on February 1, 2010. Greif will make each interest payment to the holders of record on the immediately preceding January 15 and July 15.

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Interest on the notes will accrue from July 28, 2009 or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Methods of Receiving Payments on the Notes

For so long as the notes remain in the form of global securities, we will pay all principal, interest and premium, if any, on the notes to the depository or its nominee as the registered holder of the global securities representing the notes. All other payments on notes will be made at the office or agency of the paying agent and registrar within the City and State of New York unless Greif elects to make interest payments by check mailed to the holders at their address set forth in the register of holders.

Paying Agent and Registrar for the Notes

The trustee will initially act as paying agent and registrar for the notes. Greif may change the paying agent or registrar without prior notice to the holders of the notes, and Greif or any of its Subsidiaries may act as paying agent or registrar.

Transfer and Exchange

A holder may transfer or exchange notes in accordance with the indenture. The registrar and the trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents in connection with a transfer of notes. Holders will be required to pay all taxes due on transfer. Greif is not required to transfer or exchange any note selected for redemption. Also, Greif is not required to transfer or exchange any note for a period of 15 days before a selection of notes to be redeemed.

Optional Redemption

Greif may redeem the notes at its option, in whole at any time or in part from time to time, upon not less than 30 nor more than 60 days notice at a redemption price equal to 100% of the principal amount of the notes redeemed plus the Applicable Premium, plus accrued and unpaid interest to the applicable redemption date (subject to the right of holders of record on the relevant regular record date to receive interest due on an interest payment date that is on or prior to the redemption date).

Mandatory Redemption

We are not required to make mandatory redemption or sinking fund payments with respect to the notes.

Repurchase at the Option of Holders

If a Change of Control occurs at any time, unless Greif has exercised its right to redeem the notes as described above under the caption Optional Redemption, each holder of notes will have the right to require Greif to repurchase all or any part (equal to $2,000 or an integral multiple of $1,000 in excess of $2,000) of that holder s notes pursuant to a Change of Control offer on the terms set forth in the indenture for a repurchase price in cash equal to 101% of the aggregate principal amount of notes repurchased plus accrued and unpaid interest, if any, on the notes repurchased, to the date of repurchase. Within 30 days following any Change of Control, Greif will mail a notice to each holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase notes on the payment date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the indenture and described in such notice. Greif will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the indenture, Greif will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the indenture by virtue of such conflict.

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On the Change of Control payment date, Greif will, to the extent lawful:

(1) accept for payment all notes or portions of notes properly tendered pursuant to the Change of Control offer;

(2) deposit with the paying agent an amount equal to the aggregate purchase price in respect of all notes or portions of notes properly tendered; and

(3) deliver or cause to be delivered to the trustee the notes properly accepted together with an officers certificate stating the aggregate principal amount of notes being purchased by Greif.

The paying agent will promptly mail to each holder of notes properly tendered the purchase price for such notes, and the trustee will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new note equal in principal amount to any unpurchased portion of the notes surrendered, if any; *provided* that each new note will be in a principal amount of $2,000 or an integral multiple of $1,000 in excess of $2,000.

Greif will publicly announce the results of the Change of Control offer on or as soon as practicable after the Change of Control payment date.

The provisions described above that require Greif to make a Change of Control offer following a Change of Control will be applicable whether or not any other provisions of the indenture are applicable. Except as described above with respect to a Change of Control, the indenture does not contain provisions that permit the holders of the notes to require that Greif repurchase or redeem the notes in the event of a takeover, recapitalization or similar transaction.

Greif will not be required to make a Change of Control offer upon a Change of Control if a third party makes the Change of Control offer in the manner, at the times and otherwise in compliance with the requirements set forth in the indenture applicable to a Change of Control offer made by Greif and purchases all notes properly tendered and not withdrawn under the Change of Control offer.

The Change of Control repurchase feature is a result of negotiations between Greif and the initial purchasers. Management has no present intention to engage in a transaction involving a Change of Control, although it is possible that Greif would decide to do so in the future. Subject to certain covenants described below, the Company could, in the future, enter into certain transactions that would not constitute a Change of Control under the indenture, but that could increase the amount of debt outstanding at such time or otherwise affect Greif s capital structure or credit ratings.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of all or substantially all of the properties or assets of Greif and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of notes to require Greif to repurchase its notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of Greif and its Restricted Subsidiaries taken as a whole to another person or group may be uncertain.

The Credit Agreement prohibits Greif from purchasing any notes at any time before the notes become due and payable or are otherwise required to be repaid or repurchased under the terms of the indenture. The Credit Agreement also provides that the occurrence of a Change of Control would constitute a default under the Credit Agreement. Thus, Greif will, in effect, be unable to repurchase the notes upon a Change of Control unless the lenders under the Credit Agreement waive the resulting default thereunder. The senior notes due 2017 contain and other future debt of Greif may contain prohibitions of certain events which would constitute a Change of Control or require such debt to be repurchased upon a Change of Control. To the extent such other debt of Greif is both subject to similar repurchase obligations in the event of a Change of Control and ranks senior in right of payment to the notes, all available funds will first be expended for the repurchase of such debt. Moreover, the exercise by holders of notes of their right to require Greif to repurchase such notes could cause a default under existing or future debt of Greif, even if the Change of Control itself does not, due to the financial effect of such repurchase on Greif. Finally, Greif s ability to pay cash to holders of notes upon a repurchase may be limited by Greif s then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. Greif s failure to purchase notes in connection with a Change of Control would result in a default under the indenture. Such a default would, in turn, constitute a default under existing debt of Greif, and may constitute a default under future debt as well. See Risk Factors We may not have sufficient funds or be permitted by our senior secured credit facilities to purchase notes upon a change of control.

Greif s obligation to make an offer to repurchase the notes as a result of a Change of Control may be waived or modified at any time prior to the occurrence of such Change of Control with the written consent of the holders of a majority in principal amount of the notes. See Amendments and Waivers.

Selection and Notice

If less than all of the notes are to be redeemed at any time, the trustee will select notes for redemption as follows:

(1) if the notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which they are listed; or

(2) if the notes are not listed on any national securities exchange, on a pro rata basis, by lot or by such method as that trustee deems fair and appropriate.

No notes of $2,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the notes or a satisfaction and discharge of the indenture. Notices of redemption may not be conditional.

If any note is to be redeemed in part only, the notice of redemption that relates to that note will state the portion of the principal amount of that note that is to be redeemed. A new note in principal amount equal to the unredeemed portion of the original note will be issued in the name of the holder of notes upon cancellation of the original note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on notes or portions of them called for redemption.

Certain Covenants

Limitation on Liens

We may not, nor may we permit any Restricted Subsidiary to, create or assume any mortgage, security interest, pledge or lien, collectively, a lien, upon any Principal Property or upon the shares of stock or Indebtedness of any Restricted Subsidiary, to secure any other indebtedness, without equally and ratably securing the notes for so long as such other Indebtedness is secured. However, this restriction does not apply to:

(1) liens (including liens in respect of Capitalized Lease Obligations) on any Principal Property existing at the time of its acquisition and liens created contemporaneously with or within 270 days after (or created pursuant to firm commitment financing arrangements obtained within that period) the completion of the acquisition, improvement, alteration or construction of such property to secure payment of the purchase price of such property or the cost of such improvement, alteration or construction;

(2) liens on property or assets or shares of stock or indebtedness of a person, as defined in the indenture, existing at the time it is merged, combined or amalgamated into or consolidated with or its assets or its equity interest is acquired by us or a Restricted Subsidiary;

(3) liens on property or assets or shares of stock or Indebtedness of a person existing at the time it becomes a Restricted Subsidiary;

(4) liens securing debts of a Restricted Subsidiary to us and/or one or more of our subsidiaries;

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(5) liens in favor of or required by a governmental unit in any relevant jurisdiction, including any departments or instrumentality thereof, to secure payments under any contract or statute, or to secure debts incurred in financing the acquisition or construction of or improvements or alterations to property subject thereto;

(6) liens on timberlands in connection with an arrangement under which we and/or one or more Restricted Subsidiaries permit a person to cut or pay for timber, however determined;

(7) liens securing Indebtedness and other Obligations under the Credit Agreement in an aggregate amount not to exceed the greater of $700.0 million and 20% of Total Assets and Interest Swap Obligations related thereto;

(8) liens in favor of any customer arising in respect of and not exceeding the amount of performance deposits and partial, progress, advance or other payments by that customer for goods produced or services rendered to that customer in the ordinary course of business and consignment arrangements (whether as consignor or as consignee) or similar arrangements for the sale or purchase of goods in the ordinary course of business;

(9) any lien existing on January 26, 2007 or liens to extend, renew or replace (or successive extensions, renewals or replacements of) any liens referred to in clauses (1) through (8) or this clause (9);

(10) mechanics , workmen s and other liens arising by operation of law;

(11) liens arising out of litigation or judgments being contested or a final judgment or order that does not give rise to an event of default;

(12) liens for taxes not yet due, or being contested, assessments or other governmental charges or levies, landlords liens, tenants rights under leases, easements, and similar liens not materially impairing the use or value of the property involved;

(13) liens if an amount of cash equal to the net proceeds of the indebtedness secured by such lien is used within 18 months of such creation or assumption acquire additional property or assets (or to make investments in persons who, after giving effect to such investments, will become Restricted Subsidiaries);

(14) liens to secure indebtedness of joint ventures in which Greif or a Restricted Subsidiary has an interest, to the extent such liens are on property or assets of or equity interests in such joint ventures;

(15) liens created or assumed in the ordinary course of business, including pledges and deposits, in connection with workmen s compensation, unemployment insurance, social security or similar law or other forms of governmental insurance or benefits, or to secure performance of bids, tenders, trade or government contracts (other than for indebtedness), statutory or regulatory obligations, leases and contracts (other than for indebtedness) entered into in the ordinary course of business or to secure obligations on surety, indemnity or appeal bonds or performance bonds or other obligations of a like nature or in connection with customs, duties or the importation of goods;

(16) leases or subleases granted to others and any interest or title of a lessor under any lease not prohibited by the indenture and licenses of patents, trademarks or other intellectual property rights granted in the ordinary course;

(17) liens in respect of cash in connection with the operation of cash management programs and liens associated with the discounting or sale of letters of credit and customary rights of set off, banker s lien, revocation, refund or chargeback or similar rights under deposit disbursement, concentration account agreements or under the Uniform Commercial Code or arising by operation of law;

(18) utility easements, building restrictions and such other encumbrances or charges against real Property as are of a nature generally existing with respect to properties of a similar character, and easements, rights-of-way, encroachments, municipal and zoning ordinances and similar charges, encumbrances, title defects or other irregularities that do not materially interfere with the ordinary course of business of Greif or of any of its Restricted Subsidiaries;

(19) liens securing reimbursement obligations with respect to letters of credit incurred in accordance with the indenture that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(20) liens resulting from the deposit of funds or evidences of Indebtedness in trust for the purpose of defeasing Indebtedness of Greif or any of its Restricted Subsidiaries, and legal or equitable encumbrances deemed to exist by reason of negative pledges; or

(21) liens on accounts receivable or inventory associated with a receivable or inventory financing, sale or factoring program of Greif and Restricted Subsidiaries.

See Exemption from Limitations on Liens and Sale and Leaseback below.

Limitation on Sale and Leaseback

Greif will not, nor will it permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction with respect to a Principal Property and with a lease exceeding three years unless:

(1) we and/or such Restricted Subsidiary or Restricted Subsidiaries would be entitled to incur indebtedness secured by a lien on that property without securing the notes;

(2) an amount equal to the value of the sale and leaseback is applied within 150 days to:

the voluntary retirement of indebtedness for borrowed money of Greif or any Restricted Subsidiary maturing more than one year after the date incurred and which is pari passu in right of payment with the notes (funded debt); or

the purchase of other property that will constitute Principal Property having a value at least equal to the net proceeds of the sale; or

(3) we and/or a Restricted Subsidiary shall deliver to the trustee for cancellation notes in an aggregate principal amount at least equal to the net proceeds of the sale.

For purposes of this covenant, the term value shall mean, with respect to a Sale and Leaseback Transaction, as of any particular time, the amount equal to the greater of (i) the net proceeds of the sale or transfer of the property leased pursuant to such Sale and Leaseback Transaction or (ii) the fair value in the opinion of the Board of Directors of such property at the time of entering into such Sale and Leaseback Transaction, in either case divided first by the number of full years of the term of the lease and then multiplied by the number of full years of such term remaining at the time of determination without regard to any renewal or extension options contained in the lease. See Exemption from Limitations on Liens and Sale and Leaseback.

Exemption from Limitations on Liens and Sale and Leaseback

We and/or one or more Restricted Subsidiaries are permitted to create or assume liens or enter into sale and leaseback transactions that would not otherwise be permitted under the limitations described under Limitation on Liens and Limitation on Sale and Leaseback ; *provided* that the sum of the aggregate amount of all indebtedness secured by these liens (not including indebtedness otherwise permitted under the exceptions described under Limitation on Liens) and the value of all of these Sale and Leaseback Transactions (not including those that are for less than three years or in respect of which indebtedness is retired or property is purchased or notes are delivered, as described under

Limitation on Sale and Leaseback) will not exceed 15% of Net Tangible Assets of us and our Restricted Subsidiaries.

Limitation of Guarantees by Restricted Subsidiaries

Greif will not permit any Restricted Subsidiary, directly or indirectly, by way of the pledge of any intercompany note or otherwise, to assume, guarantee or in any other manner become liable with respect to any Indebtedness of Greif or any other Restricted Subsidiary of Greif (other than Permitted Indebtedness of a Restricted Subsidiary of Greif), unless, in any such case, such Restricted Subsidiary executes and delivers a supplemental indenture to the indenture, providing a guarantee of payment of the notes by such Restricted Subsidiary (and if such Indebtedness is by its terms subordinated in right of payment to the notes, any such guarantee of such Restricted Subsidiary with respect to such Indebtedness shall be subordinated in right of payment to such Restricted Subsidiary s guarantee of the notes to the same extent as such Indebtedness is subordinated to the notes).

Notwithstanding the foregoing, any such guarantee by a Restricted Subsidiary of the notes shall provide by its terms that it shall be automatically and unconditionally released and discharged, without any further action required on the part of the Trustee or any Holder, upon:

the unconditional release of such Restricted Subsidiary from its liability in respect of the Indebtedness in connection with which such guarantee was executed and delivered pursuant to the preceding paragraph; or

any sale or other disposition (by merger or otherwise) to any Person which is not a Restricted Subsidiary of Greif of all of Greif s Capital Stock in, or all or substantially all of the assets of, such Restricted Subsidiary; *provided* that (a) such sale or disposition of such Capital Stock or assets is otherwise in compliance with the terms of the indenture and (b) such assumption, guarantee or other liability of such Restricted Subsidiary has been released by the holders of the other Indebtedness so guaranteed.

Payments for Consent

Greif will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of notes for or as an inducement to any consent, waiver or amendment of any of the terms or provision of the officer s certificate or the notes unless such consideration is offered to be paid and is paid to all holders of the notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

SEC Reports

Notwithstanding that Greif or its Restricted Subsidiaries may not be subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and so long as any notes remain outstanding, Greif shall file with the SEC and provide the trustee and holders of notes with such annual reports and such information, documents and other reports as are specified in Sections 13 and 15(d) of the Exchange Act and applicable to a U.S. corporation subject to such Sections, such information, documents and reports to be so filed and provided at the times specified for the filing of such information, documents and reports under such Sections; *provided*, *however*, that Greif shall not be so obligated to file such information, documents and reports with the SEC if the SEC does not permit such filings.

For so long as any notes remain outstanding, Greif will furnish to the holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Merger, Sale and Lease

Under the indenture, we may consolidate with or merge, combine or amalgamate into any other person, or sell, convey, lease or otherwise dispose of all or substantially all of our properties and assets to any person, without the consent of the holders of any of the outstanding notes, *provided* that:

any successor or purchaser will expressly assume the due and punctual payment of the principal of and interest on all the notes and the due and punctual performance and observance of all of the covenants and conditions of the indenture to be performed by us under a supplemental indenture;

we have delivered to the trustee an opinion of counsel confirming compliance with these provisions;

immediately after the transaction, no event of default, and no event that, after notice or lapse of time or both, would become an event of default, occurs and continues; and

certain other conditions are met.

The above conditions will not apply to:

(1) a merger of Greif with an Affiliate solely for the purpose of reincorporating Greif in another jurisdiction within the United States; or

(2) any consolidation or merger, or any sale, assignment, transfer, conveyance, lease or other disposition of assets between or among Greif and its Domestic Subsidiaries.

If upon any merger of us with or into any other corporation, or upon any sale or lease of all or substantially all of our properties, any Principal Property of Greif or a Restricted Subsidiary or any shares of stock or indebtedness of a Restricted Subsidiary owned immediately prior to such merger, sale or lease would, thereupon, become subject to any lien other than liens permitted, without securing the notes, prior to such event, we will secure the notes equally with all of our other obligations so secured, by a lien on such Principal Property, shares or indebtedness prior to all liens other than any liens existing up to that time thereon and liens so permitted by those sections of the indenture.

The indenture provides that the successor person formed by such consolidation or into which Greif is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made, shall succeed to, and be substituted for, Greif under the indenture, with the same effect as if such successor person had been named as Greif under the indenture. In the event of a succession in compliance with this covenant, the indenture provides that the predecessor shall be relieved from all of its obligations and covenants under the indenture upon the consummation of such succession.

Events of Default

The indenture provides that the following events constitute Events of Default:

failure to pay any interest upon the notes when due, and that failure continues for 30 days;

failure to pay the principal of, or premium, if any, on, the notes when due at its maturity or upon acceleration;

failure by Greif or any of its Restricted Subsidiaries to comply with the provisions described under the caption Repurchase at the Option of the Holders ;

failure to perform any other covenants or warranties in the indenture and such failure continues for 60 days, or, in the case of any failure to comply with the covenant SEC Reports, 90 days, in each case after written notice as provided in the indenture; and

certain events of bankruptcy, insolvency or reorganization of Greif or any of its Subsidiaries that is a Significant Subsidiary or a group of Subsidiaries that in the aggregate would constitute a Significant Subsidiary.

If an Event of Default (other than an event of default referred to in the last bullet point above with respect to us but including an event of default referred to in that bullet point solely with respect to a Significant Subsidiary, or group of

Subsidiaries that in the aggregate would constitute a Significant Subsidiary) with respect to the notes at the time outstanding occurs and is continuing, either the trustee or the holders of at least 25% in aggregate principal amount of outstanding notes may declare the principal amount of all notes due and payable immediately. In the case of an event of default referred to in the last bullet point above with respect to us (but not with respect to a Significant Subsidiary, or group of Subsidiaries that in the aggregate would constitute a Significant Subsidiary), the principal of, and accrued and unpaid interest, if any, on all notes will automatically become immediately due and payable.

At any time after a declaration of acceleration with respect to the notes has been made but, before a judgment or decree based on acceleration has been obtained, the holders of a majority in aggregate principal amount of the outstanding notes may, under certain circumstances, rescind and annul that acceleration if all events of default, other than the non-payment of accelerated principal (or specified portion thereof) with respect to the notes, have been cured or waived as provided in the indenture.

Holders of the notes may not enforce the indenture or notes except as provided in the indenture. Subject to certain limitations, holders of a majority in principal amount of the then outstanding notes may direct the trustee in its exercise of any trust or power. The trustee may withhold from holders of the notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal or interest.

The holders of a majority in aggregate principal amount of the notes then outstanding by notice to the trustee may on behalf of the holders of the notes waive any existing Default or Event of Default and its consequences under the indenture except a continuing Default or Event of Default in the payment of interest or premium on, or the principal of, the notes.

Greif is required to deliver to the trustee annually a statement regarding compliance with the indenture. Upon becoming aware of any Default or Event of Default, Greif is required to deliver to the trustee a statement specifying such Default or Event of Default.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of Greif or any of the Permitted Holders, as such, will have any liability for any obligations of Greif under the notes, the indenture, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of notes by accepting a note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. The waiver may not be effective to waive liabilities under the federal securities laws.

Legal Defeasance and Covenant Defeasance

Greif may, at its option and at any time, elect to have all of its obligations discharged with respect to the notes and the guarantees, if any, except for:

(1) the rights of holders of outstanding notes to receive payments in respect of the principal of, and interest and premium, if any, on such notes when such payments are due from the trust referred to below;

(2) Greif s obligations with respect to the notes concerning issuing temporary notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the trustee, and Greif s and the guarantors , if any, obligations in connection therewith; and

(4) the Legal Defeasance provisions of the indenture.

In addition, Greif may, at its option and at any time, elect to have the obligations of Greif and the guarantors, if any, released with respect to certain covenants in the indenture (Covenant Defeasance) and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under Events of Default will no longer constitute Events of Default with respect to the notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) Greif must irrevocably deposit with the trustee, in trust, for the benefit of the holders of the notes, cash in U.S. dollars, non-callable government securities, or a combination of cash in U.S. dollars and non-callable government securities, in amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, or interest and premium on the outstanding notes on the stated maturity or on the redemption date, as the case may be, and Greif must specify whether such notes are being defeased to maturity or to a particular redemption date;

(2) no Default or Event of Default has occurred and is continuing on the date of such deposit under the indenture (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit);

(3) Greif must deliver to the trustee an officers certificate stating that the deposit was not made by Greif with the intent of preferring the holders of notes being defeased over the other creditors of Greif with the intent of defeating, hindering, delaying or defrauding creditors of Greif or others; and

(4) Greif must deliver to the trustee an officers certificate and an opinion of counsel stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the notes and the indenture may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes), and any existing default or compliance with any provision of the notes and the indenture may be waived with the consent of the holders of a majority in principal amount of the then outstanding notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes).

With respect to the notes, without the consent of each holder affected, an amendment or waiver may not (with respect to any notes held by a non-consenting holder):

(1) reduce the principal amount of such notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any such note or alter the provisions with respect to the redemption of such notes (other than provisions relating to the covenants described above under the caption Redemption at the Option of Holders);

(3) reduce the rate of or change the time for payment of interest on any such note;

(4) waive a Default or Event of Default in the payment of principal of, or interest or premium on such notes (except a rescission of acceleration of such notes by the holders of at least a majority in aggregate principal amount of the notes, and a waiver of the payment default that resulted from such acceleration);

(5) make any such note payable in money other than that stated in the notes;

(6) make any change in the provisions of the indenture relating to waivers of past Defaults or the rights of holders of the notes to receive payments of principal of, or interest or premium on the notes;

(7) waive a redemption payment with respect to any such note (other than a payment required by the covenant described under Repurchase at the Option of Holders); or

(8) make any change in the preceding amendment and waiver provisions.

With respect to the notes, notwithstanding the preceding paragraphs, without the consent of any holder of such notes, Greif and the trustee may amend or supplement the indenture, the notes or the applicable Subsidiary Guarantees, if any:

(1) to cure any ambiguity, defect, omission or inconsistency;

(2) to provide for uncertificated notes in addition to or in place of certificated notes;

(3) to provide for the assumption of Greif s or the guarantors , if any, obligations to holders of such notes in the case of a merger or consolidation or sale of all or substantially all of Greif s assets;

(4) to make any change that would provide any additional rights or benefits to the holders of such notes or that does not adversely affect the legal rights under the indenture of any such holder;

(5) to comply with requirements of the SEC in order to effect or maintain the qualification of the indenture under the Trust Indenture Act;

(6) to provide for the issuance of additional notes in accordance with the limitations set forth in the indenture;

(7) to conform the text of the indenture or the notes to any provision of this Description of Notes section relating to the initial offering of the notes, to the extent that such provision in the indenture was intended to be a verbatim recitation of a provision of this Description of Notes ; or

(8) to allow guarantors, if any, to execute a supplemental indenture and/or a note guarantee with respect to the notes.

Satisfaction and Discharge

The indenture will be discharged and will cease to be of further effect as to all notes issued thereunder, when:

(1) either:

(a) all notes that have been authenticated, except lost, stolen or destroyed notes that have been replaced or paid and notes for whose payment money has been deposited in trust and thereafter repaid to Greif, have been delivered to the trustee for cancellation; or

(b) all notes that have not been delivered to the trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and Greif or a guarantor, if any, has irrevocably deposited or caused to be deposited with the trustee as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable government securities, or a combination of cash in U.S. dollars and non-callable government securities, in amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the notes not delivered to the trustee for cancellation for principal, premium and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of the deposit or will occur as a result of the deposit (other than as a result of the borrowing of the funds to be used to make the deposit);

(3) Greif or a guarantor, if any, has paid or caused to be paid all sums payable by it under the indenture; and

(4) Greif has delivered irrevocable instructions to the trustee under the indenture to apply the deposited money toward the payment of the notes at maturity or the redemption date, as the case may be.

In addition, Greif must deliver an officers certificate to the trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Concerning the Trustee

If the trustee becomes a creditor of Greif or a guarantor, if any, the indenture limits its right to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the SEC for permission to continue, or resign.

The holders of a majority in principal amount of the then outstanding notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee, subject to certain exceptions. The indenture provides that in case an Event of Default occurs and is continuing, the trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any holder of notes unless such holder has offered to the trustee security and indemnity satisfactory to it against any loss, liability or expense.

Additional Information

Anyone who receives this prospectus may obtain a copy of the indenture without charge by following the instructions under the caption Where You Can Find More Information.

Certain Definitions

Set forth below are certain defined terms used in the indenture. Reference is made to the indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

Affiliate of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, control, as used with respect to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person, whether through the ownership of voting securities, by agreement or otherwise; provided that beneficial ownership of 10% or more of the Voting Stock of a person will be deemed to be control. For purposes of this definition, the terms controlling, controlled by and under common control with have correlative meanings.

Applicable Premium means, with respect to any note on any applicable redemption date, the greater of (i) 1.0% of the then outstanding principal amount of such note and (ii) the excess of:

(a) the present value at such redemption date of the sum of all required remaining principal and interest payments due on such note (excluding accrued but unpaid interest), such present value to be computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; *over*

(b) the then outstanding principal amount of such note.

Board of Directors means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof;

(2) with respect to a partnership, the Board of Directors of the general partner of the partnership;

(3) with respect to a limited liability company, the Board of Managers of the limited liability company; and

(4) with respect to any other person, the board or committee of such person serving a similar function.

Capital Stock means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(4) any other interest or participation that confers on a person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing person,

but excluding any debt securities convertible into such equity securities.

Capitalized Lease Obligation means, as to any Person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under GAAP and, for purposes of this definition, the amount of such obligations at any date shall be the capitalized amount of such obligations at such date, determined in accordance with GAAP.

Change of Control means the occurrence of any of the following events:

(a) any person or group (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act or any successor provisions to either of the foregoing) of persons, other than the Permitted Holders, become the beneficial owners (as defined in Rule 13d-3 under the Exchange Act, except that a person will be deemed to have beneficial ownership of all shares that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 35% of the total voting power of the Voting Stock of Greif, whether as a result of the issuance of securities of Greif, any merger, consolidation, liquidation or dissolution of Greif, any direct or indirect transfer of securities by the Permitted Holders or otherwise (for purposes of this clause (a), the Permitted Holders will be deemed to beneficially own any Voting Stock of a specified corporation held by a parent corporation so long as the Permitted Holders beneficially own, directly or indirectly, in the aggregate a majority of the total voting power of the Voting Stock of such parent corporation); or

(b) the sale, transfer, assignment, lease, conveyance or other disposition, directly or indirectly, of all or substantially all the assets of Greif and the Restricted Subsidiaries, considered as a whole (other than a disposition of such assets as an entirety or virtually as an entirety to a Wholly Owned Restricted Subsidiary or one or more Permitted Holders or a Person of which one or more of the Permitted Holders own more than 50% of the voting power) shall have occurred, or Greif merges, consolidates or amalgamates with or into any other Person (other than one or more Permitted Holders) or any other Person (other than one or more Permitted Holders or a Person of which one or more of the Permitted Holders own more than 50% of the voting power) merges, consolidates or amalgamates with or into Greif, in any such event pursuant to a transaction in which the outstanding Voting Stock of Greif is reclassified into or exchanged for cash, securities or other Property, other than any such transaction where:

(1) the outstanding Voting Stock of Greif is reclassified into or exchanged for other Voting Stock of Greif or for Voting Stock of the surviving corporation, and

(2) the holders of the Voting Stock of Greif immediately prior to such transaction own, directly or indirectly, not less than a majority of the Voting Stock of Greif or the surviving corporation immediately after such transaction and in substantially the same proportion as before the transaction; or

(c) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors (together with any new directors whose election or appointment by such Board or whose nomination for election by the stockholders of Greif was approved by a vote of not less than a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office; or

(d) the stockholders of Greif shall have approved any plan of liquidation or dissolution of Greif.

Credit Agreement means the Credit Agreement, dated as of February 19, 2009, among Greif, the Subsidiary party thereto, Bank of America, N.A., as administrative agent, and the lenders and agents party thereto, as amended, restated, supplemented, waived (including the waiver dated as of July 21, 2009), replaced (whether or not upon termination, and whether with the original agents, lenders or otherwise), renewed, restructured, repaid, refunded, refinanced or otherwise modified from time to time (such replacement, renewal, restructuring, repaying, refunding, refinancing or modification may be successive or non-successive), including by means of one or more other credit agreements, loan agreements, note agreements, promissory notes, indentures or other agreements or instruments evidencing or governing the terms of any indebtedness or other financial accommodation that has been incurred to extend, increase or refinance in whole or in part the indebtedness and other obligations outstanding.

Currency Agreement means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect Greif or any Restricted Subsidiary of Greif against fluctuations in currency values.

Default means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

Disqualified Capital Stock means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event (other than an event which would constitute a Change of Control), matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof (except, in each case, upon the occurrence of a Change of Control) on or prior to the final maturity date of the notes.

Domestic Restricted Subsidiary means any Restricted Subsidiary of Greif formed under the laws of the United States or any state of the United States or the District of Columbia.

Domestic Subsidiary means any subsidiary of Greif or any subsidiary created or acquired by Greif that is formed under the laws of the United States or any state of the United States or the District of Columbia.

Indebtedness means with respect to any Person, without duplication,

(1) all Obligations of such Person for borrowed money;

(2) all Obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all Capitalized Lease Obligations of such Person;

(4) all Obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all Obligations under any title retention agreement (but excluding trade accounts payable and other accrued liabilities arising in the ordinary course of business and indemnification obligations and obligations under agreements relating to the sale or acquisition of assets or equity);

(5) all Obligations for the reimbursement of any obligor on any letter of credit, banker s acceptance or similar credit transaction;

(6) guarantees and other contingent obligations in respect of Indebtedness referred to in clauses (1) through (5) above and clause (8) below;

(7) all Obligations of any other Person of the type referred to in clauses (1) through (6) which are secured by any lien on any property or asset of such Person, the amount of such Obligation being deemed to be the lesser of the fair market value of such property or asset or the amount of the Obligation so secured;

(8) all Obligations under currency agreements and interest swap agreements of such Person; and

(9) all Disqualified Capital Stock issued by such Person with the amount of Indebtedness represented by such Disqualified Capital Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any.

For purposes hereof, the maximum fixed repurchase price of any Disqualified Capital Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Capital Stock as if such Disqualified Capital Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Capital Stock, such fair market value shall be determined reasonably and in good faith by the Board of Directors of the issuer of such Disqualified Capital Stock.

Interest Swap Obligations means the obligations of any Person pursuant to any arrangement with any other Person, whereby, directly or indirectly, such Person is entitled to receive from time to time periodic payments calculated by applying either a floating or a fixed rate of interest on a stated notional amount in exchange for periodic payments made by such other Person calculated by applying a fixed or a floating rate of interest on the same notional amount and shall include, without limitation, interest rate swaps, caps, floors, collars and similar agreements.

Net Tangible Assets means, at any date, the aggregate amount of assets (less applicable reserves required by generally accepted accounting principles and other properly deductible items) after deducting therefrom (1) all current liabilities (excluding any indebtedness for money borrowed having a maturity of less than 12 months from the date of the most recent consolidated balance sheet of Greif but which by its terms is renewable or extendable beyond 12 months from such date at the option of the borrower) and (2) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles, all of the foregoing as set forth on the most recent consolidated balance sheet of Greif and its Subsidiaries and computed in accordance with generally accepted accounting principles.

Obligations means all obligations for principal, premium, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

Permitted Holders means (i) All Life Foundation, Naomi C. Dempsey Charitable Lead Annuity Trust, Naomi C. Dempsey, Michael H. Dempsey, Patricia M. Dempsey, Judith Dempsey Hook, Mary Dempsey McAlpin and Virginia Dempsey Ragan; (ii) the spouses, heirs, legatees, descendants and blood relatives to the third degree of consanguinity of any person listed in clause (i) and any adopted children and blood relative thereof; (iii) the executors and administrators of the estate of any person listed in clauses (i) and (ii) and any court appointed guardian of any person listed in clauses (i) or (ii); (iv) any trust, family partnership or similar investment entity for the benefit of (A) any person listed in clauses (i) or (ii), or (B) any other person (including for charitable purposes) so long as one or more members of the group consisting of the Permitted Holders have the exclusive or a joint right to control the voting and disposition of securities held by such trust, family partnership or other investment entity; and (v) any employee or retiree benefit plan sponsored by Greif.

Permitted Indebtedness means, without duplication, each of the following:

(1) guarantees of Indebtedness and other Obligations incurred pursuant to the Credit Agreement in an aggregate principal amount not to exceed the greater of $700.0 million and 20% of Total Assets;

(2) guarantees of other Indebtedness of Greif and its Restricted Subsidiaries outstanding on January 26, 2007 reduced by the amount of any scheduled amortization payments or mandatory prepayments when actually paid or permanent reductions thereon;

(3) guarantees of Interest Swap Obligations of Greif or any Restricted Subsidiary of Greif covering Indebtedness of Greif or any of its Restricted Subsidiaries; *provided, however,* that such Interest Swap Obligations are entered into to protect Greif and its Restricted Subsidiaries from fluctuations in interest rates on its outstanding Indebtedness to the extent the notional principal amount of such Interest Swap Obligation does not, at the time of the incurrence thereof, exceed the principal amount of the Indebtedness to which such Interest Swap Obligation relates; and

(4) guarantees of Indebtedness under Currency Agreements; *provided* that in the case of Currency Agreements which relate to Indebtedness, such Currency Agreements do not increase the Indebtedness of Greif and its Restricted Subsidiaries outstanding other than as a result of fluctuations in foreign currency exchange rates or by reason of fees, indemnities and compensation payable thereunder.

Principal Property means any mill, manufacturing plant, manufacturing facility or timberlands owned by us or one or more Restricted Subsidiaries and located within the continental United States, but does not include any such mill, plant, facility or timberland which in the opinion of our board of directors is not of material importance to the total business of Greif and its Restricted Subsidiaries as an entirety.

Restricted Subsidiary means a subsidiary substantially all of the property of which is located within the continental United States and which itself, or with us or one or more other Restricted Subsidiaries, owns a Principal Property.

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Sale and Leaseback Transaction means any arrangement with any person providing for the leasing by Greif or any Restricted Subsidiary of any properties or assets of Greif and/or such Restricted Subsidiary (except for leases between Greif and any Restricted Subsidiary, between any Restricted Subsidiary and Greif or between Restricted Subsidiaries), which properties or assets have been or are to be sold or transferred by Greif or such Subsidiary to such person which lease shall occur within 180 days after such sale or transfer.

Significant Subsidiary means any Subsidiary that would be a Significant Subsidiary of Greif within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

Subsidiary means any corporation a majority of the outstanding voting stock of which is owned or controlled by us or one or more subsidiaries and which is consolidated in our accounts.

Total Assets means, at any date, the aggregate amount of assets as set forth on the most recent consolidated balance sheet of Greif and its Subsidiaries and computed in accordance with generally accepted accounting standards.

Treasury Rate means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to such redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to August 1, 2019; *provided*, *however*, that if the period from the redemption date to August 1, 2019 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used

Voting Stock of any Person as of any date means the Capital Stock of such person that is at the time entitled to vote in the election of the Board of Directors of such person.

Wholly-Owned Restricted Subsidiary of any specified Person means a Restricted Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors qualifying shares) will at the time be owned by such Person and/or by one or more Wholly-Owned Restricted Subsidiaries of such Person.

BOOK-ENTRY; DELIVERY AND FORM

The Global Notes

We will initially issue the exchange notes in the form of one or more registered notes in global form, without interest coupons (collectively, the Global Notes). The Global Notes will be deposited with, or on behalf of, The Depository Trust Company (DTC) and registered in the name of Cede & Co. as nominee of DTC, or will remain in the custody of the trustee pursuant to the FAST Balance Certificate between DTC and the trustee. Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. You may hold your beneficial interests in a Global Note directly through DTC if you have an account with DTC or indirectly through organizations which have accounts with DTC. Beneficial interest in a Global Note may not be exchanged for notes in physical, certificated form (Certificated Notes) except in the limited circumstances described below. All interests in a Global Note may be subject to the procedures and requirements of DTC.

Exchange Among the Global Notes

Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest on another Global Note will, upon transfer, cease to be an interest in such Global Notes and become an interest on the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

Certain Book-Entry Procedures for the Global Notes

The descriptions of the operations and procedures of DTC set forth below are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to change by them from time to time. We do not take any responsibility for these operations or procedures, and investors are urged to contact the system or its participants directly to discuss these matter.

DTC has advised us as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a clearing corporation within the meaning of the Uniform Commercial Code and a Clearing Agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended (the Exchange Act). DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly (indirect participants).

DTC was created to hold securities of institutions that have accounts with the DTC (collectively, the participants) and to facilitate the clearance and settlement of securities transactions amongst its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. DTC s participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Indirect access to DTC s book-entry system is also available to others such as banks, brokers, dealers and trust companies (collectively, the indirect participants) that clear through or maintain a custodial relationship with a participant, whether directly or indirectly. Investors who are not participants may beneficial own securities held by or on behalf of DTC only through participants or indirect participants.

We expect that pursuant to procedures established by DTC, upon the deposit of a Global Note with DTC, DTC will credit, on its book-entry registration and transfer system, the amount represented by such Global Note to the accounts of participants. The accounts to be credited shall be designated by the purchasers. Ownership of beneficial interests in a Global Note will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of those ownership interests will be effected only through, records maintained by DTC (with respect to participant s interests), the participants and the indirect participants (with respect to the owners of beneficial interests in the Global Note other than participants).

The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Accordingly, the ability to transfer interests in the exchange notes represented by a Global Note to such persons may be limited. In addition, because DTC can act on behalf of its participants, who in turn act on behalf of persons who hold interest through participants, the ability of a person having an interest in exchange notes represented by a Global Note to pledge or transfer such interest to persons or entities that do not participate in DTC s system, or to otherwise take actions in respect of such interest, may be affected by the lack of a physical definitive security in respect of such interest.

So long as DTC, or its nominee, is the registered holder and owner of the Global Notes, DTC or such nominee, as the case may be, will be considered the sole legal owner and holder of the exchange notes evidenced by the Global Note for all purposes under the indenture. Except as set forth below, as an owner of a beneficial interest in a Global Note, you will not be entitled to have the exchange note represented by such Global Note registered in your name, will not receive or be entitled to receive physical delivery of Certificated Notes and will not be considered to be the owner or holder thereof under the indenture for any purpose, including with respect to giving direction, instruction or approval to the Trustee thereunder. Accordingly, each holder owning a beneficial interest in a Global Note must rely on the procedures of DTC and, if such holder is not a participant or indirect participant, on the procedures of the participant through which such holder owns its interest, to exercise any rights of a holder of exchange notes under the indenture or such Global Note. We understand that under existing industry practice, in the event an owner of a beneficial interest in a Global Note desires to take any action that DTC, as the holder of such Global Note, is entitled to take, DTC would authorize the participants to take such action, and the participants would authorize beneficial owners owning through such participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them. Neither we nor the trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of exchange notes by DTC, or for maintaining, supervising or reviewing any records of DTC relating to such notes.

We will make payments of principal of, premium, if any, and interest on exchange notes represented by a Global Note registered in the name of and held by DTC or its nominee on the applicable record date to or at the direction of DTC or its nominee, as the case may be, as the registered owner and holder of the Global Notes representing such exchange notes under the indenture. Under the terms of the indenture, we and the trustee may treat the persons in whose names the exchange notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving payment thereon and for any and all other purposes whatsoever. We expect that DTC or its nominee, upon receipt of any payment of principal of, premium, if any, or interest on the exchange notes will credit participants accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such exchange notes, as shown on the records of DTC or its nominee. We also expect that payments by participants or indirect participants to owners of beneficial interests in a Global Note held through such participants or indirect participants be governed by standing instructions and customary practices and will be the responsibility of such participants or indirect participants. We will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Global Notes or for other aspects of the relationship between DTC and its participants or indirect participants or the participants or indirect participants and the owners of beneficial interests in a Global Note owning through such participants.

Transfers between participants in DTC will be effected in accordance with DTC s procedures, and will be settled in same-day funds.

Certificated Notes

Subject to certain conditions, the exchange notes represented by the Global Note are exchangeable for Certificated Notes in definitive form of like tenor only if:

- DTC notifies us that it is unwilling or unable to continue to act as a depositary or DTC ceases to be a clearing agency registered under the Exchange Act for the Global Notes and, in either case, a qualified successor depositary for the Global Notes is not appointed within 90 days of such notice or cessation;

- we, in our discretion, at any time notify the trustee that we elect to cause the issuance of the Certificated Notes in exchange for all or any part of the notes represented by a Global Note of Global Notes; or

- a default entitling the holders of the notes to accelerate the maturity thereof has occurred and is continuing and the registrar has received a request from DTC.

In the event of any of the foregoing, DTC shall surrender such Global Note or Global Notes to the trustee for cancellation and we shall execute, and the trustee shall authenticate and deliver, Certificated Notes in exchange for such Global Note or Global Notes. Upon any such issuance, the trustee is required to register such Certificate Notes in the name of such person or persons (or nominees of any thereof) and cause the same to be delivered thereto.

Neither we nor the trustee shall be liable for any delay by DTC or any participant or indirect participant in identifying the beneficial owners of the related exchange notes and each such person may conclusively rely on, and shall be protected in relying on, instructions from DTC for all purposes (including with respect to the registration and delivery, and the respective principal amounts, of the exchange notes to be issued).

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following general discussion summarizes certain U.S. federal income tax aspects of the acquisition, ownership and disposition of the notes. This discussion is a summary for general information only and does not consider all aspects of U.S. federal income taxation that may be relevant to the acquisition, ownership and disposition of the notes by a prospective investor in light of his, her or its personal circumstances. This discussion is limited to the U.S. federal income tax consequences to persons who are beneficial owners of the notes and who hold the notes as capital assets within the meaning of Section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the Code). This discussion does not address the U.S. federal income tax consequences to investors subject to special treatment under the federal income tax laws, such as dealers in securities or foreign currency, tax-exempt entities, banks, thrifts, insurance companies, persons that hold the notes as part of a straddle, as part of a hedge against currency risk, or as part of a conversion transaction, U.S. Holders (as defined below) that have a functional currency other than the U.S. dollar, persons who are subject to alternative minimum tax and partnerships or other pass-through entities and investors therein. In addition, this discussion is limited to the tax consequences to initial holders that purchase the notes at the issue price, which for this purpose is the first price at which a substantial amount of the notes are sold to investors for money, excluding sales to bond houses, brokers or similar persons acting in the capacity of underwriters, placement agents or wholesalers. This discussion does not describe any tax consequences arising out of the tax laws of any state, local or foreign jurisdiction or any possible applicability of U.S. federal gift or estate tax.

This summary is based upon the provisions of the Code, applicable Treasury regulations, and current administrative rulings and court decisions, all as in effect on the date hereof. All of the foregoing are subject to change, possibly on a retroactive basis, and any such change could affect the continuing validity of this discussion.

If an entity treated as a partnership for U.S. federal tax purposes holds notes, the tax treatment of a partner or other owner will generally depend upon the status of the partner (or other owner) and the activities of the entity. If you are a partner (or other owner) of such an entity that considers investing in the notes, you should consult your tax advisor regarding the tax consequences of acquiring, owning and disposing of notes.

Persons considering the exchange of the privately placed original notes for publicly registered exchange notes pursuant to the exchange offer should consult their own tax advisors concerning the application of U.S. federal income tax laws, as well as other federal tax laws and the law of any state, local or foreign taxing jurisdiction, to their particular situations.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, YOU ARE HEREBY NOTIFIED THAT: (A) THE DISCUSSION WITH RESPECT TO FEDERAL TAX MATTERS IN THIS PROSPECTUS WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY INVESTOR FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE CODE; (B) THE DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING (WITHIN THE MEANING OF IRS CIRCULAR 230) OF THE TRANSACTIONS OR MATTERS ADDRESSED BY THE DISCUSSION; AND (C) INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

U.S. Holders

The following discussion is limited to a holder of a note that is, for federal income tax purposes:

a citizen or resident of the United States, including an alien resident who is a lawful permanent resident of the United States or meets the substantial presence test under Section 7701(b) of the Code;

a corporation (or other business entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, state thereof or the District of Columbia;

an estate whose income is includible in gross income for United States federal income tax purposes regardless of its source; or

a trust, if a U.S. court is able to exercise primary supervision over administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust or the trust has made a valid election to be treated as a U.S. person (each a U.S. Holder).

Stated Interest. Stated interest on the notes will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with such holder s method of accounting for U.S. federal income tax purposes.

Original Issue Discount. The original notes have been issued, and the exchange notes will be issued, if issued, with original issue discount (OID) for U.S. federal income tax purposes. OID is the difference between the stated principal amount of the notes and their issue price. Issue price is defined above and generally will be the price on the cover hereof.

A U.S. Holder must include any OID in income as ordinary income for U.S. federal income tax purposes as it accrues using a constant yield method, in advance of the receipt of cash payments attributable to that OID, regardless of the U.S. Holder s regular method of accounting for U.S. federal income tax purposes. Under the constant yield method, a U.S. Holder generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Sale, Exchange, Redemption or Other Taxable Disposition of the Notes. Unless a nonrecognition provision applies, upon the disposition of a note by sale, exchange, redemption or other taxable disposition, a U.S. Holder generally will recognize gain or loss equal to the difference between (i) the amount realized on the disposition (other than amounts attributable to accrued and unpaid interest which will be taxable as ordinary income to the extent not previously so taxed) and (ii) the U.S. Holder s adjusted tax basis in the notes. A U.S. Holder s adjusted tax basis in the notes generally will equal the cost of the notes to the U.S. Holder increased by the amount of OID attributable to the notes that has been included in income.

Such gain or loss generally will constitute capital gain or loss and will be long-term capital gain or loss if the U.S. Holder has held the notes for longer than one year. If the U.S. Holder is a noncorporate holder, any capital gain generally will be subject to U.S. federal income tax at preferential rates if specified minimum holding periods are met. The deductibility of capital losses is subject to certain limitations.

Exchange Offer. **The exchange of the privately placed notes for publicly registered notes pursuant to the exchange offer should not constitute a significant modification of the terms of the notes and therefore should not constitute a taxable event for U.S. federal income tax purposes. Accordingly, the exchange should have no U.S. federal income tax consequences to a U.S. Holder, the U.S. Holder s holding period and adjusted tax basis for a note should not be affected, and the U.S. Holder should continue to take into account income in respect of a note in the same manner as before the exchange.**

Information Reporting and Backup Withholding. A U.S. Holder of notes may be subject, under certain circumstances, to backup withholding at a rate (currently 28%) with respect to payments of interest on, and gross proceeds from a sale or other disposition (including a retirement or redemption) of, the notes. These backup withholding rules apply if the U.S. Holder, among other things:

fails to furnish a social security number or other taxpayer identification number (TIN) certified under penalties of perjury within a reasonable time after the request therefor;

furnishes an incorrect TIN; or

under certain circumstances, fails to provide a certified statement, signed under penalties of perjury, that the TIN furnished is the correct number and that such U.S. Holder is not subject to backup withholding.

A U.S. Holder who does not provide his, her or its correct TIN may be subject to penalties imposed by the U.S. Internal Revenue Service (the IRS). Any amount paid as backup withholding is creditable against the U.S. Holder s U.S. federal income tax liability, provided the requisite information is timely provided to the

IRS. Certain persons are exempt from backup withholding, including corporations and certain tax-exempt entities, provided their exemption from backup withholding is properly established. U.S. Holders of notes should consult their tax advisors as to their qualifications for exemption from withholding and the procedure for obtaining such exemption.

We will report to the U.S. Holders and the IRS the amount of any reportable payments made by us and any amount withheld with respect to the notes during the calendar year.

Non-U.S. Holders

The following discussion is limited to the U.S. federal income tax consequences to a holder of notes that is an individual, corporation, estate or trust other than a U.S. Holder (a Non-U.S. Holder). For purposes of the discussion below, interest and gain on the sale, exchange, redemption or other taxable disposition of notes will be considered to be U.S. trade or business income if such income or gain is effectively connected with the conduct of a U.S. trade or business.

Interest. Generally, interest (including for purpose of this Non-U.S. Holder discussion any OID) paid to a Non-U.S. Holder of the notes that is not U.S. trade or business income will not be subject to United States federal income or withholding tax if such interest is portfolio interest. Generally, interest on the notes that is not U.S. trade or business income will qualify as portfolio interest if the Non-U.S. Holder:

does not actually or constructively own 10% or more of the total combined voting power of all classes of our stock;

is not a controlled foreign corporation with respect to which we are a related person within the meaning of the Code; and

certifies, under penalties of perjury, that such holder is not a United States person and provides such holder s name and address.

The gross amount of payments of interest that do not qualify for the portfolio interest exception and that are not U.S. trade or business income will be subject to U.S. withholding tax at a rate of 30% unless a treaty applies to reduce or eliminate withholding. If the interest received by a Non-U.S. Holder is U.S. trade or business income, the Non-U.S. Holder will not be subject to the 30% U.S. federal withholding tax and instead generally will be taxed at regular graduated U.S. rates as it were a U.S. Holder, unless an applicable income tax treaty provides otherwise. In the case of a Non-U.S. Holder that is a corporation, the effectively earnings and profits attributable to such U.S. trade or business income also may be subject to a branch profits tax at a rate of 30% (or any lower rate provided under an applicable tax treaty). To claim an exemption from withholding, or to claim the benefits of a treaty, a Non-U.S. Holder must provide a properly executed Form W-8BEN or W-8ECI, as applicable, prior to the payment of interest. These forms must be periodically updated. A Non-U.S. Holder who is claiming the benefits of a treaty may be required, in certain instances, to obtain a U.S. taxpayer identification number and to provide certain documentary evidence issued by foreign governmental authorities to prove residence in the foreign country. Also, special procedures are provided under applicable regulations for payments through qualified intermediaries.

Sale, Exchange, Redemption or Other Taxable Disposition of Notes. Except as described below and subject to the discussion concerning backup withholding, any gain realized by a Non-U.S. Holder on the sale, exchange, redemption or other taxable disposition of the notes generally will not be subject to U.S. federal income tax, unless:

such gain is U.S. trade or business income (in which case such gain generally would be taxable in the same manner as interest that is U.S. trade or business income as described above); or subject to certain exceptions, the Non-U.S. Holder is an individual present in the United States for 183 days or more in the taxable year of the disposition (in which case such gain, net of certain U.S. source losses, generally will be subject to a tax at a 30% rate unless it is reduced or eliminated by an applicable treaty).

Exchange Offer. **The exchange of the privately placed original notes for publicly registered exchange notes pursuant to the exchange offer should not constitute a significant modification of the terms of the notes and therefore should not constitute a taxable event for U.S. federal income tax purposes. Accordingly, the exchange should have no U.S. federal income tax consequences to a Non-U.S. Holder, the Non-U.S. Holder s holding period and adjusted tax basis for a note should not be affected, and the Non-U.S. Holder should continue to take into account income in respect of a note in the same manner as before the exchange.**

Information Reporting and Backup Withholding. We must report annually to the IRS and to each Non-U.S. Holder any interest that is paid to the Non-U.S. Holder. Copies of these information returns also may be made available under the provisions of a specific treaty or other agreement to the tax authorities of the country in which the Non-U.S. Holder resides.

Treasury regulations provide that the backup withholding tax (currently 28%) and certain information reporting will not apply to such payments of interest with respect to which either the requisite certification, as described above, has been received or an exemption otherwise has been established, provided that neither we nor our paying agent have actual knowledge that the holder is a United States person or that the conditions of any other exemption are not, in fact, satisfied.

The payment of the proceeds from the disposition (including a redemption or retirement) of the notes to or through the United States office of any broker, U.S. or foreign, will be subject to information reporting and possible backup withholding unless the owner certifies as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption (and the broker does not have actual knowledge that the holder is a United States person or that the conditions of any other exemption are not, in fact, satisfied). The payment of the proceeds from the disposition (including a redemption or retirement) of the notes to or through a non-U.S. office of a non-U.S. broker will not be subject to information reporting or backup withholding unless the non-U.S. broker has certain types of relationships with the United States (a U.S. Related Person). In the case of the payment of the proceeds from the disposition of the notes to or through a non-U.S. office of a broker that is either a U.S. person or a U.S. Related Person, the Treasury regulations require information reporting (but not backup withholding) on the payment unless the broker has documentary evidence in its files that the owner is a Non-U.S. Holder and the broker has no actual knowledge to the contrary.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or credited against the Non-U.S. Holder s United States federal income tax liability, provided that the required information is timely provided to the IRS.

THE PRECEDING DISCUSSION OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. ACCORDINGLY, EACH INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN TAX ADVISOR AS TO PARTICULAR TAX CONSEQUENCES TO IT OF ACQUIRING, OWNING AND DISPOSING OF NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY FEDERAL, STATE, LOCAL OR FOREIGN TAX LAWS, AND OF ANY PROPOSED CHANGES IN APPLICABLE LAW.

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CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of the original notes and exchange notes by employee benefit plans that are subject to Title I of ERISA, plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code or provisions under any federal, state, local, non-U.S. or other laws, rules or regulations that are similar to such provisions of ERISA or the Code (collectively, Similar Laws), and entities whose underlying assets are considered to include plan assets of such plans, accounts and arrangements (each, a Plan).

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code (an ERISA Plan) and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of an ERISA Plan or the management or disposition of the assets of an ERISA Plan, or who renders investment advice for a fee or other compensation to an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the notes of a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary s duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are parties in interest, within the meaning of ERISA, or disqualified persons, within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engages in a nonexempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The acquisition and/or holding of notes by an ERISA Plan with respect to which we or the initial purchasers are considered a party in interest or disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the United States Department of Labor has issued prohibited transaction class exemptions (PTCEs) that may apply to the acquisition and holding of the notes. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers, although there can be no assurance that all of the conditions of any such exemptions will be satisfied. Because of the foregoing, the notes should not be purchased or held by any person investing plan assets of any Plan, unless such purchase and holding (and the exchange of notes for exchange notes) will not constitute a non-exempt prohibited transaction under ERISA and the Code or similar violation of any applicable Similar Laws.

Representation

Accordingly, by acceptance of a note or an exchange note, each purchaser and subsequent transferee will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire and hold the notes constitutes assets of any Plan or (ii) the purchase and holding of the

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notes (and the exchange of notes for exchange notes) by such purchaser or transferee will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any applicable Similar Laws.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the notes (and holding the notes or exchange notes) on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such transactions and whether an exemption would be applicable to the purchase and holding of the notes.

PLAN OF DISTRIBUTION

A broker-dealer that holds original notes for its own account as a result of market-making activities or other trading activities may participate in the exchange offer so long as the broker-dealer has not entered into any arrangement or understanding with us or any of our affiliates to distribute the exchange notes. A broker-dealer that holds original notes acquired for its own account as a result of market-making activities or other trading activities and who receives exchange notes in exchange for those original notes in the exchange offer may be a statutory underwriter and must therefore deliver a prospectus which meets the requirements of the Securities Act in connection with the resale of those exchange notes.

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for original notes where such original notes were acquired as a result of market-making activities or other trading activities. We have agreed that, starting on the expiration date of the exchange offer and ending on the close of business one year after the expiration date, we will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. In addition, until December 29, 2009, all dealers effecting transactions in the exchange notes may be required to deliver a prospectus.

We will not receive any proceeds from any sale of exchange notes by brokers-dealers. Exchange notes received by broker-dealers for their own account pursuant to the exchange offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the exchange notes or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer and/or the purchasers of any such exchange notes. Any broker-dealer that resells exchange notes that were received by it for its own account pursuant to the exchange offer and any broker or dealer that participates in a distribution of such exchange notes may be deemed to be an underwriter within the meaning of the Securities Act and any profit of any such resale of exchange notes and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act.

For a period of one year after the expiration date, we will promptly send additional copies of this prospectus and any amendment of the exchange offer supplement to this prospectus to any broker-dealer that requests such documents in the letter of transmittal. We have agreed to pay all expenses incident to this exchange offer (including the expenses of one counsel designated by a majority of the holders of the notes) other than commissions or concessions of any brokers or dealers and will indemnify the holders of the original notes (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

WHERE YOU CAN FIND MORE INFORMATION

Because the original notes were sold pursuant to exemptions from registration under the Securities Act, they are subject to transfer restrictions. In connection with the issuance of the original notes, we entered into a registration rights agreement with the initial purchasers in which we agreed to either: (a) file with the SEC a registration statement covering the exchange notes, use our best efforts to cause the registration statement to become effective under the Securities Act, and upon effectiveness of the registration statement, to complete the exchange offer; or (b) cause the resale of the original notes to be registered under the Securities Act pursuant to a resale shelf registration statement. Pursuant to the registration rights agreement, we have filed a registration statement on Form S-4 with the SEC under the Securities Act with respect to the exchange notes. This prospectus, which constitutes a part of the registration statement on Form S-4, does not contain all the information set forth in the registration statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. We are referring you to the registration statement and to the exhibits for further information with respect to us and the exchange notes. The statements contained in this prospectus concerning the provisions of any document are not necessarily complete, and, in each instance, we refer you to the copy of such document filed as an exhibit to the registration statement or otherwise filed with the SEC. Each such statement is qualified in its entirety by such reference.

We are subject to the informational requirements of the Exchange Act and, in accordance therewith, we file annual, quarterly and current reports, proxy statements and other information with the SEC. Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, NE, Washington, D.C. 20549. You may also obtain copies of such material by mail from the Public Reference Section of the SEC at 100 F Street, NE, Washington, D.C. 20549 at prescribed rates. Please call the SEC at 1-800-SEC-0330 for more information on the public reference rooms. You can also find our SEC reports at the SEC s website (http://www.sec.gov).

LEGAL MATTERS

The validity of the exchange notes will be passed upon for us by Baker & Hostetler LLP, Columbus, Ohio. Daniel J. Gunsett, a partner of Baker & Hostetler LLP, is a director of our company. As of September 17, 2009, Mr. Gunsett beneficially owned 23,833 shares of our Class A Common Stock and 3,000 shares of our Class B Common Stock.

EXPERTS

The consolidated financial statements of Greif, Inc. appearing in Greif, Inc. s Annual Report (Form 10-K) for the year ended October 31, 2008 including the schedule appearing therein, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

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$250,000,000

73/4% Senior Notes due 2019

PROSPECTUS

November 19, 2009